7digital Group plc
("7digital" or "the Company")

Preliminary Results for the Year ended 31 December 2015
and
Directorate Change

7digital Group plc, the b2b digital music and radio services company, is pleased to announce its preliminary results for the year ended 31 December 2015.

Highlights

- Strong operational and financial performance
- Continued positive transformation of the Group's revenue streams
  - High-margin licensing grew revenues by 21% to £6.5m (2014: £5.4m)
  - Total annualised monthly recurring revenue ("MRR") for December 2015 grew by 72% to approximately £5.8m (December 2014: £3.4m)
  - Annualised streaming MRR for December 2015 grew threefold to £3.4m (December 2014: £0.8m)
- Gross margin grew from 59% to 68% and adjusted LBITDA reduced by 31% to £2.1m (2014: £3.1m) on turnover of £10.4m (2014: £10.2m), reflecting the business model's strong sales drop through
- New client agreements during the year increased the Group's customer base, extended its technology capability, widened its geographic reach and continued the shift towards major corporates
- Continued progress in particular in the Radio market with exit MRRs from internet-delivered radio up by 72% to £1,218k (2014: £708k)
- The group delivered against its key objectives of growing its customer base across an increasing range of geographies, strengthened the quality and resilience of its revenue base and improved its overall financial performance
- Proposed acquisition, announced in January 2016, of leading French digital streaming music provider Snowite SAS will, upon completion, further improve sales pipeline, expand industry relationships and strengthen platform technology

Simon Cole, Chief Executive of 7digital, said:

"I am pleased with our progress in 2015. The Group delivered against its key objectives of growing its customer base across an increasing range of geographies, strengthening the quality and resilience of its revenue base and improving its overall financial performance.

Our pipeline is strong, with a healthy number of current customers looking to expand their activities and, as of the year end, discussions were underway with over 60 new prospects across a range of services and geographies. Our acquisition of Snowite, with accompanying revenues and enhanced technology, is on track. We remain confident that the Group will achieve profitability by the end of 2016, and of continued good progress this year and beyond."

ends

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About 7digital (http://about.7digital.com)

7digital is a b2b digital music and radio services company. The core of its business is the provision of robust and scalable technical infrastructure and extensive global music rights used to create music streaming and radio services for a diverse range of customers - including consumer brands, mobile carriers, broadcasters, automotive systems, record labels and retailers. 7digital also offers radio production and music curation services, editorial strategy and content management expertise.

7digital fosters industry growth and innovation by simplifying access to music for customers such as Onkyo, Guvera, Red Bull Media House, Global Radio, and The Overflow. From years of being the largest independent producer of programming for the BBC, launching Radioplayer in multiple territories, and powering services for partners like HMV, Panasonic and ROK Mobile, 7digital is perfectly positioned to lead innovation at the intersection of digital music and next-generation radio services.

Chairman's Statement

I am pleased to report on a successful year for 7digital, one in which the Group delivered against its key objectives of growing its customer base across an increasing range of geographies, strengthened the quality and resilience of its revenue base and improved its overall financial performance.

At the same time the team has worked hard to position the business to take best advantage of the anticipated fast growth in music streaming. While we continue to have much to do, we believe we already offer current and potential customers the leading international b2b (business-to-business) platform and music rights capability to deliver music and radio streaming services. Our unmatched combination of market leading technology, broad music rights and deep industry relationships can create significant barriers to entry for others in the sector.

Part of this process has been to ensure we have the management depth, strength and expertise in place to take the business forward and realise its potential. In this respect in July Pete Downton was appointed to the Board, continuing his role of Chief Commercial Officer, and in September Paul Langworthy was appointed to the newly created role of Chief Operating Officer. Both have deep knowledge and experience of our industry and are playing a key role in the development of the Group.

Reflecting our strategy to expand our international presence, we also appointed a General Manager of North America and a Business Development Manager in Japan. These appointments will help drive our growth in these geographies.

During 2015 and since the year end we have also strengthened the non-executive Board. In March we welcomed Anne de Kerckhove, previously Managing Director, EMEA, of Videology Ltd and Global Director of Reed Elsevier, responsible for the Global b2b Entertainment Division; in April we welcomed Mark Foster, former Managing Director of Deezer UK & Ireland; and in January this year we welcomed Paul McGowan, whose current roles include Chief Executive of Hilco and Chairman of HMV, the entertainment retailer. The Group will benefit greatly from their highly relevant experience as we continue to grow the business.

Hossein Yassaie stood down from the non-executive Board in February 2016 and we are announcing today that Chris Dent will be standing down as Chief Financial Officer after the release of these results, to pursue other opportunities; we thank them both for their years of service to the Group. Matt Honey, who was previously Finance Director of UBC Media and therefore knows the Group well, has stepped in as Interim CFO while we undertake the search for a permanent successor.

Our progress in 2015 reflects the high quality and hard work of our staff, and on behalf of the Board I would once again like to thank them for their commitment to 7digital.

I am excited for the future of 7digital. We are successfully implementing a clear strategy to pursue opportunities in a market that is developing as we anticipated and through which we are intent on delivering strong returns to shareholders.

Chief Executive's Review

7digital is a b2b digital music and radio services company. The core of our business is the provision of robust and scalable technical infrastructure and extensive global music rights used to create music streaming and radio services for a diverse range of customers – including consumer brands, mobile carriers, broadcasters, automotive systems, record labels and retailers. We also offer radio production and music curation services, editorial strategy and content management expertise.

Our strategy is to grow revenues, profitability and shareholder returns through:

- Increasing the number of customers we serve
- Improving the financial quality of our business by driving recurring revenues
- Expanding our geographic coverage
- Continued investment in market leading technology to meet shifting technology trends and customer needs
- Maintaining strict control of our cost base to ensure that revenue growth is quickly reflected in improved overall Group profitability

Summary

The year to 31 December 2015 was one of good operational and financial progress in markets which offer exciting long term growth opportunity for the Group.

We continued the positive transformation of our revenue, achieving healthy increases in higher margin licensing revenues and annualised monthly recurring revenue ("MRR"), with the latter in December 2015 over 70% ahead of the corresponding month in the previous year. We have continued to win good levels of business in our target sectors and geographies and to grow our pipeline of prospects. We have also maintained strict control of our cost base, which has remained stable year on year.

Results were in line with the Board's expectations. While total sales were broadly similar to last year at £10.4m (2014: £10.2m), revenues from the high-margin licensing of our platform were up 21%. Gross margins improved to 68% from 59% in 2014 and we returned a substantial reduction in adjusted LBITDA to £2.1m (2014: £3.1m), demonstrating our business model's strong sales drop through.

As we predicted, 2015 brought a number of key developments in the global digital music market, which we expect to continue throughout this year. The gradual coming together of radio and music streaming is one such example, and 7digital – with a pedigree in the production of high-quality content for broadcast and extensive experience in streaming – is well placed to take advantage of this growing trend. In addition, we have signalled in previous company updates that geographic expansion to more emerging markets is a hallmark of the 'third age of digital music' that is now underway. This expansion is reflected not just in our current pipeline and contract wins over the past year, but also in the wider industry. Furthermore, new entrants to the sector have been looking to us for support in launching services that offer differentiation for consumers, such as through the use of innovative business models or the provision of high resolution recordings.

Licensing

Licensing is the core of our business, providing the platform and rights management expertise through which our b2b customers can create their own streamed music services offerings, either standalone or bundled into their own device or product offering. Typically, customers pay a set-up fee and monthly licence fees for using our platform and, in addition, we also take a share of user related revenues generated by the service, including transaction and subscription revenues.

Licensing grew revenues by 21% to £6.5m (2014: £5.4m), representing 63% of total Group revenue for the year, up from 53% for 2014.

Annualised total MRR, which includes streaming and other platform licensing revenues, for December 2015 grew to £5.8m, an increase of 72% against December 2014 (£3.4m). Annualised streaming MRR for December 2015 grew to £3.4m, a threefold increase against last year (£0.8m) as the focus of both our market and our business continues to shift towards streaming. Licensing fees included £1.6m of initial set up fees paid by new customers, who we would expect to contribute to increasing MRR in the current year and beyond.

We continued to win good levels of business in our target sectors and geographies. Currently, 7digital has 46 clients running digital music services accessible to consumers in 33 countries around the world, with 19 of those new to the Group in financial year 2015. During the year agreements with clients including Mariposa for Oi and Algar Telecom, Onkyo Pioneer Corp., Technics, Tónlist, Electric Jukebox, Sainsbury's and others increased the Company's customer base, extended its technology capability and widened the Company's global reach, particularly in South America and Malaysia, while continuing the deliberate shift of our client base towards major corporates.

The Company has licensing rights in 82 countries, enabling quick time-to-launch for prospective new client services throughout the world.

Most recently, 7digital in January announced a deal with eMusic, a leading music discovery and download-to-own destination. The deal will see 7digital power the eMusic service re-launch and will allow eMusic's new owners, TriPlay, to build new features into the service through use of 7digital's technology and content management platform. TriPlay's acquisition of eMusic (announced in October 2015) makes the combined entity one of the largest, most comprehensive digital music services in the world, comparable only to Apple iTunes and Amazon.

Increasingly, we are working with new customers who are seeking to differentiate their hardware or telecoms network offerings through the bundling of music, and are a proponent of new business models, such as streamed music services with consumer devices and mobile contracts. A recent example is our partnership with i.am+, building on a relationship that commenced in 2014. This signalled our first move into the fast growing wearables sector, which has the potential to offer strong opportunities to the Group, and is an example of how we can enable and participate in disruptive new product categories.

Our move into the provision of high-resolution ("hi-res") audio is showing encouraging progress. Hi-res was launched in December 2014, and made up 22.3% of our content sales by the end of 2015. Since the year end, it was announced that the Company had become the first digital music platform provider to offer MQA high quality audio format for both downloads and streaming. MQA is currently building its partner network with a series of announcements with music labels and hardware manufacturers in preparation for its full launch to consumers. This follows earlier announcements of contracts with Panasonic and Onkyo to create and manage new hi-res music services, and the expansion of the Technics TRACKS download store to Canada. Hi-res is expected to be an increasingly important growth segment for both the music industry and 7digital.

We made continued progress in the Radio market, increasing revenues from internet-delivered radio by 72%. As we anticipated, shifting consumer habits in an increasingly digital world are undermining traditional linear radio's position, leading to significant opportunity for the Company and its customers. In addition to existing customers, such as Astro in Malaysia, we are also now working with Jazz FM and Team Rock, examples of businesses which are taking advantage of radio streaming service models to expand reach outside their original country of activity to a potential global audience. To date, we have signed 5 contracts (covering a total of 1,140 radio stations) for Radioplayer Worldwide, our joint venture with Imagination Technologies and UK Radioplayer to explore opportunities for the Radioplayer technology internationally. H2 2015 saw the launch of Radioplayer in Austria, across 77 broadcasters in the region. We also recently announced a further agreement with Imagination Technologies to licence internationally its FlowRadio internet radio aggregation service, which offers instant access to over 25,000 stations worldwide, and have an active pipeline with other clients in this area.

Creative

Our Creative division (formerly known as Production) is engaged in the creation of award winning audio and video programming for broadcasters, receiving commissions from BBC's national radio network, commercial radio stations and other broadcasters such as Sky Television. It is a profitable business that brings a number of synergistic benefits to our licensing operations, in particular the ability to offer clients complementary knowledge and skillsets such as playlist curation and video or audio production.

Creative revenues grew by 51% to £1.8m (2014: £1.2m), benefiting from the inclusion for a full year of the businesses acquired as part of the reverse acquisition in June 2014.

We continue to manage and produce the annual BBC Radio 2 Folk Awards, which this year will take place at the Royal Albert Hall in April. Since the year end, we announced that we have been awarded the contract to produce BBC Radio 3's new modern jazz programme 'Jazz Now', which is due to begin airing in the same month.

Content

Our strategy includes a deliberate move away from low margin Content sales of digital music downloads direct to customers as we focus on improving the quality of the Group's overall revenues. Content revenue was, as anticipated, therefore 44% lower than the comparable period last year at £2.0m (2014: £3.6m), representing 20% of group sales (2014: 35%). The reduction in content revenue has also fallen as customers have closed download stores, reflecting the industry wide move from ownership to rental models for music.

We remain alert to higher margin growth opportunities within specific areas of Content sales, such as hi-res, that sit comfortably within our business strategy.

Snowite SAS acquisition

7digital's strategy includes fairly-priced bolt on acquisitions that accelerate the Company's growth and improve its technical infrastructure. Since the year end, we announced the proposed acquisition of Snowite SAS, the leading French digital streaming music provider.

This acquisition, which remains subject to approval by the French Commercial Court, is expected to further accelerate the Company's international expansion, bringing with it major French customers in the retail sector (Fnac and Leclerc), mobile entertainment (including Cellfish) and media (including Vivendi, owner of Universal Music) and a strong sales pipeline in French-speaking markets, while strengthening our relationships with French music labels and publishers. Snowite's platform and technology should also benefit 7digital's own development roadmap and allow the Company to make cost savings in planned future platform investment.

Outlook

I am pleased with our progress in 2015. Our pipeline is strong, with a healthy number of current customers looking to expand their activities and, as of the year end, discussions were underway with over 60 new prospects across a range of services and geographies. We remain confident that the Group will achieve profitability by the end of 2016, and of continued good progress and growth this year and beyond.

Financial Review

Results for the year ending 31 December	2015	2014	Change	
	£'000	£'000	£'000	%
Revenue	10,365	10,213	152	1%
Cost of sales	(3,308)	(4,189)	881	-21%
Gross profit	**7,056**	**6,024**	**1,033**	**17%**
Other administration expenses	(9,186)	(9,132)	(54)	-1%
Adjusted LBITDA	**(2,129)**	**(3,108)**	**979**	**31%**
Depreciation	(761)	(667)	(94)	-14%
Adjusted operating loss	**(2,890)**	**(3,775)**	**885**	**23%**
Share based payments	(137)	(340)	203	60%
Exceptional items	(128)	(388)	260	67%
Operating loss	**(3,154)**	**(4,503)**	**1,349**	**30%**
Taxation on continuing operations	(3)	(17)	14	82%
Net finance income	10	3	7	233%
Loss/gain on investment	(4,767)	1,888	(6,655)	-352%
Loss for the period	**(7,913)**	**(2,629)**	**(5,284)**	**201%**
Forex	27	(31)	58	-187%
Fair value gain on investment	-	3,004	(3,004)	-100%
Total comprehensive income	**(7,886)**	**345**	**(8,230)**	**-2392%**

Revenue	2015	2014	Change	
	£'000	£'000	£'000	%
Monthly recurring revenue	4,944	4,408	536	12%
One-off licensing revenue	1,560	985	575	58%
Licensing revenue	6,504	5,393	1,111	21%
Content	2,042	3,617	(1,575)	-44%
Creative	1,819	1,202	617	51%
Total revenues	10,365	10,213	153	2%

Our high-margin business-to-business (“b2b”) revenues have continued to enjoy strong growth, rising by 21% overall, and in the strategically important monthly recurring revenues (“MRR”) we have seen a year-on-year increase of 12% from £4.4m to £4.9m. This growth has been offset by a fall in the low margin content revenue, which is driven by the fall in the sale of MP3 downloads, as streaming services continue to cannibalise downloads services within the digital music industry.

The strength in the rise in the level of b2b revenues, and especially in the increase in our MRR can be seen in the next table. This shows the exit rate of recurring revenues that was achieved at the end of the year, and shows clearly how the business has moved from one dependent on download services, to one which is benefitting from the overall growth in streaming services. The exit rate for streaming MRR has increased by 310%.

	2015	2014	Change	
Exit MRR	**£'000**	**£'000**	**£'000**	**%**
Streaming	3,450	842	2,608	310%
Downloads	935	1,101	(166)	-15%
Radio	1,218	708	509	72%
Other	230	748	(518)	-69%
Total	**5,832**	**3,399**	**2,433**	**72%**

Both gross profit, and our gross margin have increased strongly in the period, as our sales mix has moved towards the high-margin licensing revenue and away for the low-margin content revenue. Gross profit has increased 17% to £7.06m, whilst our gross margin has risen from 59% to 68%.

Administration expenses have increased by 1% as we have seen the full year inclusion of the operating costs of the UBC businesses purchased last year included within the results.

Adjusted Results
Adjusted LBITDA (which excludes return on investments, taxation, depreciation of tangible assets, amortisation of intangible assets, share based payments and exceptional items) showed an improvement of 31%, narrowing to a loss of £2.1m (2014: loss of £3.1m). The adjusted operating loss also improved, by 23%, narrowing to £2.9m (2014: £3.8m).

Adjusting Items
7digital incurred exceptional costs of £128,000 during the year. These relate to costs that were incurred in relation to the proposed acquisition of Snowite SAS and the closure of our Luxembourg office following changes to the European VAT regime. Furthermore, the Group has a share option scheme, which resulted in a charge of £137,000 (2014: £340,000).

Investment Loss
The Group disposed of its remaining investment in Audioboom for £1.9m. This resulted in an impairment loss of £4.8m during the year.

Statutory Result
The Group made a loss for the period of £7.9m (2014: £2.6m).

Loss per share
Reported earnings per share was a loss of 7.31 pence per share (2014: loss of 3.01 pence).

Cash and cash flow
At 31 December 2015, the Group had a cash balance of £1.7m (2014: £5.3m), and overall cash outflow of £3.7m (2014: inflow £4.0m). This included a cash outflow of £4.7m from operating activities (2014: £6.3m), and £1.0m earned on investing activities (2014: £3.4m).

Dividend
During the year, 7digital did not pay an interim or final 2014 dividend (2014: no interim or final 2013 dividend). The Board of Directors is not proposing a final dividend in the current year.

Consolidated Statement of Comprehensive Income

	Year to 31 Dec 2015	Year to 31 Dec 2014 restated
	£'000	£'000
Continuing operations		
Revenue	**10,365**	10,213
Cost of sales	**(3,308)**	(4,189)
Gross profit	**7,056**	6,024
Other income	**1,040**	-
Administrative expenses	**(11,251)**	(10,526)
Adjusted operating loss	**(2,890)**	(3,775)
- Share based payments	**(137)**	(340)
- Exceptional items	**(128)**	(388)
Operating loss	**(3,154)**	(4,503)
Other gains and losses	**(4,767)**	1,888
Finance income	**11**	8
Finance cost	**(1)**	(5)
Loss before tax	**(7,910)**	(2,612)
Taxation on continuing operations	**(3)**	(17)
Loss from operations attributable to owners of the parent company	**(7,913)**	(2,629)
Fair value gain on investment	**-**	3,004
Foreign exchange	**27**	(31)
Total comprehensive income attributable to owners of the parent company	**(7,886)**	345
Loss per share (pence)		
Basic and diluted	**(7.31)**	(3.01)

Consolidated Statement of Financial Position

	2015	2014
	£'000	£'000
Assets		
Non-current assets		
Intangibles	**416**	345
Property, plant and equipment	**704**	691
Investments in associate	**-**	6,625
	1,120	7,661
Current assets		
Inventory: work-in-progress	**62**	44
Trade and other receivables	**4,502**	3,095
Cash and cash equivalents	**1,656**	5,312
	6,219	8,452
Total assets	**7,339**	16,113
Current liabilities		
Trade and other payables	**(3,804)**	(4,796)
Provisions for liabilities and charges - current	**(170)**	(188)
	(3,974)	(4,984)
Net current assets	**2,245**	3,468
Net assets	**3,365**	11,129
Equity		
Share capital	**10,843**	10,833
Share premium account	**17,278**	17,278
Treasury reserve	**(42)**	(215)
Reverse acquisition reserve	**(4,430)**	(4,430)
Foreign exchange reserve	**(118)**	(31)
AFS reserve	**-**	3,004
Retained earnings	**(20,167)**	(15,311)
Total equity	**3,365**	11,129

Consolidated Cash Flow Statement

	Year to 31 Dec 2015 £'000	Year to 31 Dec 2014 £'000
Loss from continuing operations		
Profit/ (loss) from discontinued operations	(7,913)	(2,629)
Loss for the period		
Adjustments for:		
Taxation	3	17
Interest	(11)	(2)
Amortisation of intangible assets	277	254
Negative goodwill released to income	-	(22)
Depreciation of fixed assets	484	414
Loss on sale of investment	4,767	(1,888)
Share option valuation adjustment	137	340
(Decrease) in provisions	(18)	(451)
(Decrease) in accruals and deferred income	(263)	(1,543)
(Increase)/decrease in inventories	(18)	151
(Increase)/decrease in trade and other receivables	(1,407)	354
Decrease in trade and other payables	(730)	(1,282)
Cash flows from operating activities	(4,691)	(6,288)
Taxation	(3)	(17)
Net interest	11	2
Net cash used in operating activities	(4,683)	(6,302)
Investing activities		
Disposal of investment	1,828	3,520
Purchase of property, plant, equipment and bespoke software	(848)	(345)
Acquisition of subsidiary	-	198
Net cash generated from investing activities	980	3,372
Financing activities		
Net proceeds from issue of ordinary share capital	-	6,952
Net cash generated from in financing activities	-	6,952
Net (decrease)/ increase in cash and cash equivalents	(3,703)	4,022
Cash and cash equivalents at beginning of period	5,312	1,290
Effect of foreign exchange rate changes	46	-
Cash and cash equivalents at end of period	1,656	5,312

Consolidated Statement of Changes in Equity

	Notes	Share capital £'000	Share premium account £'000	Treasury reserves £'000	Other reserves £'000	Retained earnings £'000	**Total £'000**
At 1 January 2014		-	11,477	-	-	(13,023)	**(1,546)**
Loss for the period		-	-	-	-	(2,629)	**(2,629)**
Acquisition of subsidiary		10,833	5,801	(183)	(4,430)	-	**12,022**
Other comprehensive income for the period		-	-	-	2,973	-	**2,973**
Transaction in treasury shares	21	-	-	(33)	-	-	**(33)**
Share based payment	26	-	-	-	-	340	**340**
At 1 January 2015		10,833	17,278	(216)	(1,456)	(15,311)	**11,128**
Loss for the period		-	-	-	-	(7,913)	**(7,913)**
Other comprehensive income for the period		-	-	-	(3,091)	2,942	**(149)**
Share based payment	26	11	-	173	-	115	**299**
At 31 December 2015		**10,843**	**17,278**	**(42)**	**(4,548)**	**(20,167)**	**3,365**

1. Accounting policies

The financial information set out above does not constitute the Company's statutory accounts for the year ended 31 December 2015, but is derived from those accounts. Statutory accounts for 31 December 2014 have been delivered to the Registrar of Companies and those for 2015 will be delivered following the Company's Annual General Meeting. The auditors have reported on those accounts; their reports were unqualified, did not draw attention to any matters by way of emphasis without qualifying their report and did not contain statements under s498(2) or (3) Companies Act 2006.

While the financial information included in this preliminary announcement has been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards (IFRSs), this announcement does not itself contain sufficient information to comply with IFRSs. The Company will publish full financial statements that comply with IFRSs in April 2016.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Review on pages 6 to 7. The financial position of the Group, its cash flows and liquidity position are described in the Finance Review.

The financial statements at 31 December 2015 show that the Group generated an LBITDA for the period of £2.1 million (2014: £3.1 million), and with cash used in operating activities of £4.7 million (2014: £6.3 million) and a net decrease in cash and cash equivalents of £3.7 million in the year (2014: increase of £4.0 million). The Group balance sheet also showed cash reserves at 31 December 2015 of £1.7 million (2014: £5.3 million).

The Board has concluded that no matters have come to its attention which suggest that the Group will not be able to maintain its current terms of trade with customers and suppliers. The Group's forecasts for the combined Group, including due consideration of the continued operating losses of the Group, and projections, taking account of reasonably possible changes in trading performance, indicate that the Group has sufficient cash available to continue in operational existence throughout the forecast period and beyond. The Board has considered various alternative operating strategies should these be necessary and are satisfied that revised operating strategies could be adopted if and when necessary. As a consequence, the Board believes that the Group is well placed to manage its business risks, and longer term strategic objectives, successfully. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

2. Principal risks and uncertainties

The Group is currently loss making and is reliant on continuing to win new b2b licensing business in order to drive it to profitability. There is a risk that management will be unable to secure new contracts or that the anticipated demand for the Group's services will not materialise. However, the directors believe that the Group is well placed to continue to grow the business in order to reach profitability in the medium term.

The market in which the Group operates is fragmented and competitive and new players may enter the market. Furthermore, the Group is a b2b provider of services to customers that may be in competition with companies that are seen as industry leaders. It is possible that developments by either the direct competition, or the competitors to customers, will render the Group's current and proposed products and services obsolete.

The market in which the Group operates has seen a number of significant changes, such as the shift from physical sales, through to downloads, and then onto streaming. The Group's competitors, or the competitors of the Group's customers, may announce or develop new products, services or enhancements that better meet the needs of customers or the end consumers. Further, new competitors, or alliances among competitors, could emerge. Increased competition may cause price reductions, reduced gross margins and loss of market share, any of which could have a material adverse effect on the Group's business, financial condition and results of operations.

The directors believe that the overall market for the Group's products and services will continue to grow, as the broadcast radio industry and the recorded music industry continue to converge. There can, however, be no assurance that growth in the market for its products and services will occur, or occur at the rate envisaged by the Group.

The Group relies on a number of key customers. The business plan produced by management assumes new and continuing revenue strands by key customers. If existing contracts were to be terminated or new revenue strands failed to materialise, this could affect the projected growth of the Group. Furthermore, 7digital's production (Creative) businesses are dependent on the BBC as a key client and as such are vulnerable to the retendering process and BBC budget cuts. Failure by the BBC, as well as other key clients, to fulfil or renew existing contracts, sign up to new revenue streams, or become insolvent themselves, could have a material adverse effect on the financial condition of the Group.

The Group has a number of key suppliers of music content. The Group believe that these content rights that it has built up over a number of years are key to the success of the its business, and are also a significant barrier to entry to new competition within the market. There is no certainty that the rights holders will not limit or change the way or the price at which the Group is able to use the music content.

The Group depends on qualified and experienced employees, especially in relation to development staff, to enable it to generate and retain business. Should the Group be unable to attract new employees or retain existing employees this could have a material adverse effect on its ability to grow or maintain its business. Retention of the key executives of the Group is recognised as a risk and is managed by the incentive and remuneration arrangements.

3. Business and geographical segments

Business segments

For management purposes, the Group is organised into three continuing operating divisions – Content, Licensing and Creative. The principal activity of the Content division is the sales of digital music direct to consumers. The principal activity of Licensing is the creation of software solutions for managing and delivering digital content. The principal activity of Creative is the production of audio and video programming for broadcasters. These divisions comprise the Group's operating segments for the purposes of reporting to the Group's chief operating decision maker, the Chief Executive Officer.

	Content		Licensing		Creative		Unallocated		Total	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014
	£'000	£'000	**£'000**	£'000	**£'000**	£'000	**£'000**	£'000	**£'000**	£'000
Revenue	**2,012**	4,028	**6,508**	4,983	**1,844**	1,202	**-**	-	**10,365**	10,213
Segment's result (gross profit)	**215**	598	**5,923**	4,651	**918**	775	**-**	-	**7,056**	6,024
Other income	**-**	-	**-**	-	**-**	-	**1,040**	-	**1,040**	-
Corporate expense	**-**	-	**-**	-	**-**	-	**(11,251)**	(10,526)	**(11,251)**	(10,526)
Operating profit/(loss)	**215**	598	**5,923**	4,651	**918**	775	**(10,210)**	(10,526)	**(3,154)**	(4,503)
Other gains and losses									**(4,767)**	1,888
Financing income									**11**	8
Financing costs									**(1)**	(5)
Tax charge									**(3)**	(17)
Loss for the year									**(7,913)**	(2,629)
Other segment items:										
Capital additions									**848**	345
Depreciation									**482**	370
Amortisation									**277**	254

In the year ended 31 December 2015, revenues of £1,822,000 (2014: £1,345,000) are included within the Licensing segment from to the Group's largest customer. There were no other customers that formed greater than 10% of external revenues within the years ended 31 December 2015 and 2014.

Geographical information

The Group's revenue from external customers and information about its segments by geographical location is detailed below:

	Revenue		Non-current assets	
	2015	2014	**2015**	2014
Continuing Operations	**£'000**	£'000	**£'000**	£'000
United Kingdom	**3,724**	4,024	**1,120**	7,792
Europe	**1,252**	1,788	**-**	-
Rest of World	**5,388**	4,402	**-**	-
	10,365	10,213	**1,120**	7,792

4. Exceptional items

	2015	2014
	£'000	£'000
Acquisition costs	**(16)**	(409)
Adjustment on acquisition	**-**	22
Corporate restructuring	**(112)**	-
	(128)	(388)

On 06 January 2016, 7digital Group plc announced its intention to acquire Snowite SAS. As part of this transaction the Group incurred a variety of legal and professional fees which have been classified as exceptional items due to their one-off nature.

During 2015, the Group incurred costs relating to restructuring the business, the main items being the closure of our Luxembourg office following changes in EU VAT rules. These costs have also been classifed as exceptional items due to the one-off nature and magnitude.

5. Other operating income

The other operating income earned by the group in the current year relates to Research & Development tax credits. £490,000 of the amount relates to claims made for previous years, with the remaining £550,000 being in relation to the amount due from HMRC with respect to 2015.

6. Earnings per share

Basic earnings per share is calculated by dividing the loss attributable to shareholders by the weighted average number of ordinary shares in issue during the year. IAS 33 requires presentation of diluted EPS when a company could be called upon to issue shares that would decrease earnings per share, or increase the loss per share. For a loss-making company with outstanding share options, net loss per share would be decreased by the exercise of options. Therefore the antidilutative potential ordinary shares are disregarded in the calculation of diluted EPS. Reconciliation of the profit and weighted average number of shares used in the calculation are set out below:

		31 Dec 2015	
	Loss	**Weighted average number of shares**	**Per share amount**
Basic and Diluted EPS	**£'000**	**Thousand**	**Pence**
Loss attributable to shareholders:	**(7,886)**	**107,873**	**(7.31)**

		31 Dec 2014	
Basic and Diluted EPS	£'000	Thousand	Pence
Loss attributable to shareholders:	(2,629)	87,201	(3.01)

Other Shareholder Information

Preliminary Announcement

- Copies of this document are available from the Company's registered office at 69 Wilson Street, London, EC2A 2BB
- The preliminary results will be available on the 7digital Group plc website from 31 March 2016: http://about.7digital.com/financial-information

Annual General Meeting

- The Company's Annual General Meeting will be held at 3:00pm on Thursday 28 April 2016 at the offices of Osborne Clarke, One London Wall, London, EC2Y 5EB
- The notice of the AGM will be available from 31 March 2016 on the Company's website: http://about.7digital.com/financial-information
- Hard copy documents will be posted to shareholders on 5 April 2016 and will also be available from our registered office 69 Wilson Street, London, EC2A 2BB, from that date.

2015 Annual Reports and Accounts

- Copies of the 2015 Annual Reports and Accounts will be available from 31 March 2016 on the Company's website: http://about.7digital.com/financial-information
- Hard copy documents will be posted to shareholders on 5 April 2016 and will also be available from our registered office 69 Wilson Street, London, EC2A 2BB, from that date.