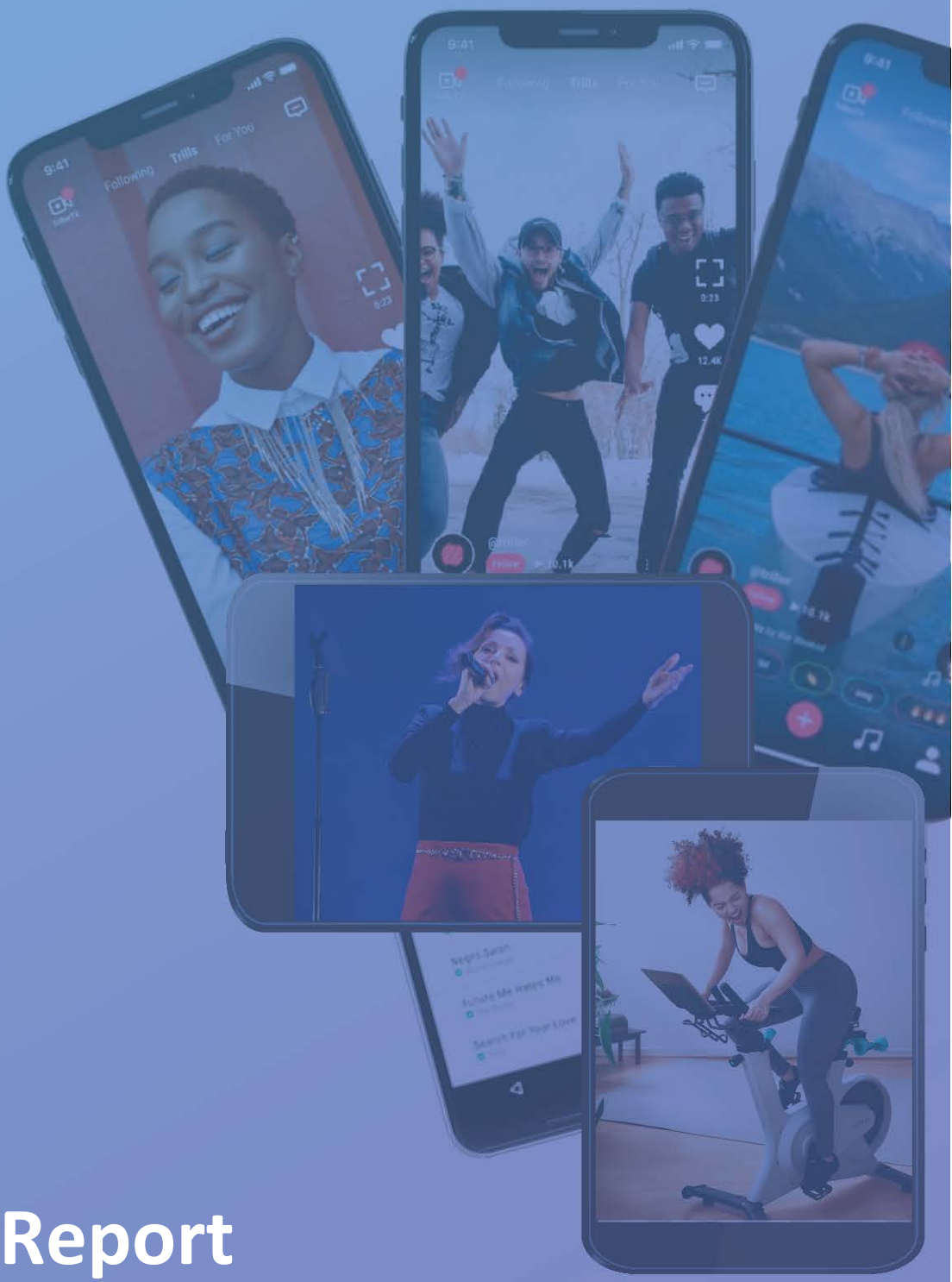


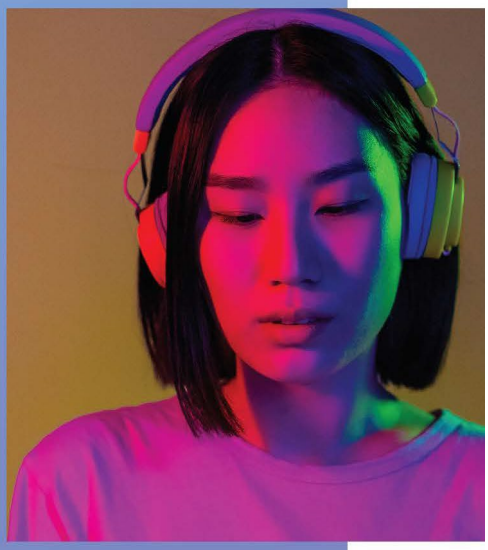
Annual Report and Accounts 2020

7digital

We help brands to build the best music experiences

7digital's market-leading music platform powers unique and engaging music experiences for brands and innovators worldwide.

Capitalising on new and exciting market opportunities, we support both global leaders and challengers to harness the power of music in their customer offerings.



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7digital Group plc

2020 OVERVIEW

FINANCIAL SUMMARY

Year ended 31 December 2020

Group Revenue

£6.5 million

(2019: £8.2m)[1]

Gross Margin

71.1 per cent

(2019: 64.0 per cent)[1]

Adjusted EBITDA Loss

£1.4 million

(2019 restated: £2.8m)[2]

(See note 6 on page 52 for definition)

Gross Profit

£4.6 million

(2019: £5.2m)[1]

Operating Loss

£2.1 million

(2019 restated: £5.7m)

Loss Per Share

0.05 pence

(2019 restated: 0.46p)[2]

[1] *From continuing operations after excluding the termination of Juke contract (major customer) during 2019*

[2] *For detail on the restatement of the 2019 accounts, see note 1 on page 47*

SUCCESSFUL STRATEGIC EXECUTION

- Repositioned 7digital as the leading global B2B music platform-as-a-service company built to enable innovation and growth in the music industry
- Implemented new product, commercial and marketing strategies to sign and expand traditional B2B music services
  - Contract expansions or renewals with 16 existing clients including Soundtrack Your Brand, GrandPad, ROXI and Moodagent
- Expanded into new growth markets of home fitness, social media and artist monetisation
  - Built an end-to-end solution for fitness brands to seamlessly incorporate music in their services – signed contracts with Apex Rides and, post period, with FORME and multiple others
  - New contracts signed with social music video app Triller, a global technology company, streaming service jazzed and, post period, Chinese social giant Kuaishou
  - Launched eMusic Live, a first-of-its-kind virtual concert and artist monetisation platform, in collaboration with eMusic, which has partnered with artists, venues and artist management agencies such HarrisonParrott and hosted more than 120 performances globally
- Raised £6m in oversubscribed equity placing and £1m credit facility to drive growth in immediate commercial opportunities

7digital Group plc

2020 CHAIRMAN'S STATEMENT

Tamir Koch
Chairman

29 June 2021

In a challenging 2020, we successfully pivoted our strategy to focus on key verticals that offer substantial opportunities going forward. We began executing on this strategy during the year, with a number of milestones already achieved. While our revenues were impacted by the global uncertainty caused by the COVID-19 pandemic, we succeeded in continuing to narrow our losses in 2020 and in reaching EBITDA positivity towards the end of the year. There is still work to be done, but we believe that we have now set ourselves on the path for significant growth in 2021 and beyond.

Capitalising on expanding areas of demand
Amid a year of worldwide upheaval, 2020 was a period of transition for the Group in which we refocused our strategy and put the right structure in place to move towards sustainable growth. While our sales were impacted by the pandemic as our customers delayed purchasing or contract renewal decisions, it also threw up new opportunities for companies such as ours, accelerating trends that were already apparent pre-lockdowns. Thanks to the strength of our platform combined with our significant industry expertise and experience, we were able to capitalise on these exciting growth opportunities to emerge from the year more focused and positioned to become the dominant music solutions provider in our target markets.

During the first half of the year, we strengthened our business by moving from bespoke modular solutions to a highly productised technology offering based on our world-leading, cloud-based, music platform-as-a-service that provides true global coverage at scale. At the same time, we established our new strategy that is focused on particular verticals, namely: the home fitness industry, social media platforms and artist monetisation. In these growing markets, our superior technology and service offering can offer real value to our customers and support them with their own expansion.

We began executing on this strategy in the second half of the year, developing an offer aimed at fitness and social brands and launching eMusic Live in partnership with our eMusic sister company. As Paul Langworthy discusses in the Chief Executive Officer's Review, we succeeded in winning several clients in our new target markets in the second half of 2020; and this progress has been accelerated in the current year.

Stakeholder engagement
Regular engagement, dialogue with and feedback from 7digital's material internal and external stakeholders are important to the success of 7digital and a core element of its business model. Understanding stakeholders' views informs and assists the decision-making processes and helps us to achieve our aims, objectives and strategy. In-keeping with the requirements of Section 172 (1) of the UK Companies Act 2006, pages 10 to 11 record 7digital's key stakeholder groups and how we engage with them. Each stakeholder group requires a tailored engagement approach to foster effective communication and mutually beneficial relationships.

Positioned for growth
As noted, with the onset of COVID-19, we pivoted the Group's strategy to take advantage of the emerging trends within the home fitness industry, social media platform usage and artist monetisation. We have already made excellent progress in implementing this strategy. As a result, after a disappointing revenue performance in 2020, we are confident that we will achieve significant revenue growth in 2021 and we expect an even stronger 2022 as we deliver on the contracts that were delayed from last year and continue to expand our pipeline.

I would like to thank Paul Langworthy, our CEO, and Michael Juskiewicz, our CFO, for their tremendous efforts in navigating the disruption caused by the pandemic. Many thanks, also, to our senior management team and my Board colleagues for their considerable contribution as well as to all of our employees. Their dedication, skills and professionalism are greatly appreciated.

Mostly, I would like to thank our loyal shareholders for their ongoing support. During the year, we were delighted to receive the backing from both existing shareholders and a substantial number of new institutions that enabled us to complete a successful, oversubscribed £6m fundraise.

As a Board, we all are committed to creating value for our shareholders and we believe that we are well positioned to deliver this. I look forward to reporting on our progress.

7digital Group plc

2020 CHIEF EXECUTIVE OFFICER'S REVIEW

Paul Langworthy
Chief Executive Officer

29 June 2021

Against a backdrop of global economic uncertainty and following a period of critical change in 2019, 7digital established its new strategy and commenced delivery during the year, which has accelerated post period. Capitalising on our core technology, industry relationships and leading global music catalogue, our strategy is focused on emerging trends and new entertainment formats in three key areas: home fitness, social media and e-music/artist monetisation via our new venture, eMusic Live. These are areas of significant and growing demand for digital music services to enhance customer experience and engagement.

7digital's operations were impacted by the COVID-19 pandemic, especially in Q2 and the early part of Q3 2020, as new deals and renewals were pushed to H2 2020 and H1 2021. In total, we signed five new contracts, four expansions and eight renewals in 2020, but the delay in some contracts meant that revenue for FY 2020 was £6.5m (2019 ongoing: £8.2m). However, as a result of solid trading in Q4 2020 and our efforts to lower costs, we were able to narrow our losses for the full year – for the second year running – and, importantly, achieve EBITDA positivity towards the end of the year for the month of December. As a much leaner and more flexible business, with significantly lower overheads, and supported by a revolving credit facility secured during the year, 7digital was able to successfully navigate the immediate market uncertainty and pivot towards new prospects based around our cloud-based technology service for the music industry. In particular, we have built up – and begun delivering on – a substantial pipeline of new business opportunities across the areas of home fitness, social media and artist monetisation.

Music as a motivator, a source of pleasure and a facilitator for human communication was proven throughout the pandemic. It has always provided a backdrop to public and private events from coronations to state funerals, 21st birthdays to concerts. It creates emotional responses that enhance the quality of life. Pre-pandemic, music streaming was already being adopted by consumers at a staggering pace, accounting for 56% of all music sales in 2019 and driving a fifth consecutive year of growth, according to the IFPI. For businesses, it played an increasingly integral role in customer engagement, partly because of demand from new Millennials and Generation Z-ers. With the arrival of lockdowns, this trend accelerated. People, confined to the home, sought new ways to keep fit, be entertained and connect with others.

The success of 7digital's strategy is evidenced by a raft of new contracts signed across our target areas in H2 2020 and so far in 2021. In addition to winning new business, I am pleased to report a high rate of client retention.

Home Fitness
Music has a key role in exercise – maximising enjoyment, motivating and keeping customers returning. With the advent of lockdowns and gym closures, its importance further increased as people adopted the home-workout. Last year, we developed an offer for the fitness industry, utilising our music platform-as-a-service, that is designed to make it easy for fitness brands to maximise the benefits of music. Our solution combines end-to-end global rights and reconciliation management, in real-time via built-in integrations with HFA and MFI, with access to our global catalogue and an easy-to-use playlisting tool. We believe this advanced offering positions 7digital to be a dominant music solution provider to the fitness industry.

In September 2020, 7digital signed a 12-month contract with Apex Rides. The smart bike and in-home fitness platform is using 7digital's catalogue and playlisting tool to provide instructors with access to fully cleared and compliant music for programming their classes, making it easy to create custom playlists curated by genre, tempo or music theme. We are also providing the backend label and publishing reporting.

Since year end, we have continued to add to our growing roster of home fitness clients. At the end of February 2021, we signed a 24-month contract with FORME, a premium home fitness system that delivers one-on-one fitness experiences through elegant, full-length mirrors that transform into immersive personal training studios. FORME, which is using our end-to-end rights management solution, described 7digital's support and knowledge as 'second to none'. We have also signed a 24-month contract with a new client in the home fitness sector serving the US market.

Social Media
User generated content (UGC) social media platforms are shifting the paradigm of how fans discover, share and create music. 7digital enables social platforms to provide their users with access to rights-cleared music that can be used for audio streaming or embedding into UGC while also assisting in tracking usage and reporting to labels. Collectively, across all 7digital's contracts in this space, we enable an average of one billion monthly active social media users to access one of the largest music catalogues in the world.

During the second half of the year, we signed a contract, with a minimum period of 18 months, with Triller Inc. Triller, which works with some of the biggest global artists and counts Snoop Dog, The Weeknd, Marshmello and Lil Wayne as strategic investors, is an AI-powered app that allows users to choose their favourite music to create auto-edited, professional-quality videos that can be published on the app or shared via social media channels.

Post period, in March 2021, we signed a contract, with an expected two-year term, with Kuaishou, a leading content community and social platform that had an average of over 760 million monthly active users in China for the nine months ended 30 September 2020. This contract expanded 7digital's footprint in the high-growth social sector, making us one of the largest providers of licensed music to social media giants and tech-driven consumer brands.

eMusic Live & Artist Monetisation

The strength of our offering has enabled us to extend and expand our partnerships with exciting music-based innovators. August 2020 saw the launch of eMusic Live, a new venture with our sister company, eMusic, which is a platform for hosting live concerts while providing artists with a range of commercial and fan engagement tools, offering new ways to monetise performances and engage with global audiences. In November 2020, eMusic Live partnered with world-leading music agency HarrisonParrott to create Virtual Circle, an exclusive online concert and music hub for classical music listeners. The platform launched on 8 December 2020, with an exclusive international performance by the Oslo Philharmonic.

In 2020, eMusic Live streamed shows from various emerging artists and, post period, in April 2021, it became the global exclusive livestream platform for *Alfie Boe and Friends: Live at the Savoy*, featuring the award-winning tenor and stars such as Gary Barlow. Other established artists to have used the platform include Tina Arena, Ivri Lider and Said The Whale – with Tina Arena and Ivri Lider being among the first artists globally to host live-digital hybrid events where fans can stream a concert in real time. Since its launch, the platform has partnered with artists, venues and artist management agencies and hosted more than 120 livestreamed performances.

Recently, in June 2021, we took this a step further with eMusic Live becoming the first music livestream platform to offer NFTs (non-fungible tokens) alongside ticketed events. This allows fans to own authentic digital merchandise while substantially increasing artists' monetisation ability. We are very excited about how this market is going to develop.

Other Key Contracts

During the year, we signed a contract with a global technology company to provide access to our global music catalogue, tracking, and reporting services in support of new music-based experiences. We were also awarded a contract by jazzed, the world's first dedicated audio-visual streaming service for jazz and jazz-influenced music, to support the roll out of its new HD tier music service and its global launch into new territories.

We also signed a number of contract renewals and extensions, including with Moodagent, a streaming service creating personalised playlists from songs, artists or moods for consumers in multiple countries in Europe and, from the current year, in Australia and India. Made-for-TV music entertainment provider ROXI, backed by Robbie Williams and Kylie Minogue and now pre-loaded on Sky Q set-top boxes, renewed its partnership with 7digital to deliver shared interactive music experiences to millions of Smart TVs and satellite set-top boxes in Europe. GrandPad, the world's first purpose-built tablet for over-75s, has integrated 7digital's music platform since 2016 and the contract was renewed last year. Users have access to more than 30 million songs and customised playlists, as well as other enriching features.

Outlook

7digital entered 2021 with a higher order book than at the equivalent period in the previous year as the trading momentum of the second half of 2020 continued into the new year.

Specifically, the home fitness segment is expected to be the largest contributor to Group revenues as we continue to expand our client base and receive strong demand. We expect the social media segment to be the second largest contributor as we focus on signing contracts with companies with a large user base. With eMusic Live continuing to expand its offering and attract more artists to the platform, we are excited about its prospects.

As a result, we expect to report substantial year-on-year revenue growth and be EBITDA positive for full year 2021. Looking further ahead, thanks to the hard work of the 7digital team, we expect significant growth in 2022. In particular, based on our current contracts and pipeline for 2021 (before the contribution from any new deals signed in 2022), we anticipate a material increase in licensing revenue in 2022, which we expect to drive a substantial increase in EBITDA and strong revenue growth for full year 2022.

Consequently, the Board continues to look to the future with confidence.

7digital Group plc

CHIEF FINANCIAL OFFICER'S REVIEW

Michael Juskiewicz
Chief Financial Officer

29 June 2021

Introduction
While our revenue for the year was impacted by the COVID-19 outbreak, the successful execution on the strategy we adopted to focus on sectors that stood to benefit from the pandemic enabled the signing of a number of significant contracts in the second half. As a result, we achieved a key milestone towards the end of the year in generating positive EBITDA for the month of December. We were also pleased to raise £6.0m in an oversubscribed placing in September 2020, and secure a £1m credit facility, which enabled us to record a cash inflow of £3.0m and complete the year with a strong cash position of £2.8m. We continued to robustly reduce costs by £4.3m, which reduced operating loss by £3.6m to £2.1m.

Financial results
The Group's revenue for 2020 was £6.5m compared with £8.2m from ongoing operations in 2019. This reflects a decrease across the Group's revenue streams, with the reduction primarily being due to the impact of COVID-19. As a result of the pandemic, customers delayed the launch of their services that would utilise 7digital's platform and postponed the commissioning of new programmes for which the Group would provide content.

However, in the second half of the year, and as discussed further in the Chief Executive Officer's Review, we began to see the benefits of management's strategic decision taken early in the pandemic to focus on sectors set to gain from COVID-19. Consequently, and as organisations began to adapt to pandemic conditions, we signed a number of key contracts in the second half of the year, resulting in revenue for the second half of 2020 increasing by 9.9% over the first half.

Licensing revenue continued to be the largest contributor to Group revenue, accounting for 51.5% (2019: 51.6% from ongoing operations), with 32.0% provided by Content (2019: 29.2%) and 16.5% by Creative (2019: 19.2%).

Gross margin for 2020 was 71.1% (2019: 64.0% for ongoing operations) and gross profit for the year was £4.6m (2019: £5.2m from ongoing operations). At 31 December 2020, as disclosed in note 1 on page 46, £500k of content accruals was released to cost of sales, which increased gross margin by 7.7%.

We successfully continued to streamline our operations, with administration expenses being reduced by 43.0% to £7.4m (2019: £13.0m). This was largely due to the significant payroll and technology cost reductions implemented by the new management under Paul Langworthy, to align the business with the new strategy going forward.

Operating loss relating to ongoing operations for 2020 was reduced by 62.5% to £2.1m (2019 restated: £5.7m loss), primarily as a result of the lower administration expenses, and adjusted EBITDA loss decreased by 50.5% to £1.4m (2019 restated: £2.8m loss). Loss before tax on ongoing operations was reduced by 61.3% to £2.3m (2019 restated: £5.9m).

During the year, the Group's French entity, 7digital France SAS, was dissolved, creating a gain on disposal of £987k, This balance is classified as discontinued operations. There were no other balances relating to the disposal of the French entity in 2020 or 2019.

Loss per share on ongoing operations decreased by 80.4% to 0.09 pence (2019 restated: 0.46 pence loss). Loss per share attributable to shareholders decreased by 89.1% to 0.05 pence (2019 restated: 0.46 pence loss).

Revenue	**2020 reported £'000**	**2019 reported £'000**	**2019 ongoing* £'000**	**Change ongoing***	**Change ongoing* %**
Licensing	**3,355**	5,341	**4,227**	-872	-21%
Content	**2,085**	2,390	**2,390**	-305	-13%
Creative	**1,073**	1,572	**1,572**	-499	-32%
Total Revenue	**6,513**	**9,303**	**8,189**	**-1,676**	**-20%**
Gross Profit	4,632	6,297	5,239	-607	-12%
Gross Margin %	***71.12%***	***67.69%***	***63.98%***	***7.14%***	

CHIEF FINANCIAL OFFICER'S REVIEW

Expenditure

Administrative Expenses	2020 £'000	2019 restated £'000	Change	%
Underlying Administrative Expenses	6,950	11,200	-4,250	-37.95%
Other Adjusted Administrative Expenses	465	1,802	-1,337	
Total Administrative Expenses	**7,415**	**13,002**	**-5,587**	-42.97%

** After excluding the termination of Juke contract (major customer) during the year*

Adjusting items
The revenue, gross margin and gross profit figures for 2019 noted above are for the Group's ongoing operations after adjusting to exclude sales under the Juke contract (further detail can be found in the 2019 Annual Report). A reconciliation with the reported figures can be found in the table above.

Other adjusting items for the year totalled £465k of which £0.7m related to exceptional legal and litigation fees and £0.1m to corporate restructuring costs, all offset by a £0.3m release of the closing provision relating to the Danish business.

At the year end, the Directors determined there were two adjustments required to restate 2019 results as disclosed in note 1 on page 47. The adjustments related to over statement of payroll related items of £35k and reanalysis of £61k of shares to be issued from equity to derivative liability.

Dividend
During the year, 7digital did not declare an interim dividend and the Board of Directors is not proposing a final dividend for 2020 (2019: no interim or final dividend).

Funding
On 21 February 2020, a short-term loan of £500k was signed with CSS Alpha (BVI) Limited. The loan was repayable over 12 months in equal parts commencing 28 March 2020 with interest based on 1.5% of the outstanding balance. The Parent Company made the final loan repayment in October 2020.

In September 2020, the Group secured funding of £7.0m through a placing of new ordinary shares and from entering into a revolving credit facility ("RCF") with Investec Bank plc ("Investec"):

- On 3 September 2020, 7digital raised gross proceeds of £6.0m through the placing of 266,666,667 new Ordinary Shares at a price of 2.25 pence per share.
- On 28 September 2020, the Group entered into a £1m secured RCF with Investec, which is for a period of 36 months. The funds drawn under the RCF attract interest, payable quarterly, at 6% above the Bank Base Rate. The Company issued 1,382,488 warrants to Investec with an exercise price of 2.17 pence in part satisfaction of an arrangement fee. The RCF is secured by way of a debenture from the Company together with guarantees provided by certain shareholders, including Tamir Koch and David Lazarus (through Magic Investments S.A.), each a Board Director.

Cash and cash flow
As of 31 December 2020, the Group had a cash balance of £2.8m (31 December 2019: £0.1m). Net cash inflows during the year totalled £3.0m (2019: £0.3m outflow), which was largely driven by the £5.7m net proceeds of the capital raise in September 2020.

Material uncertainty related to going concern
As discussed in note 1 to the financial statements, the Board of Directors of 7digital consider the Company to be a going concern, but acknowledge there to be a material uncertainty relating to going concern. The independent auditors' report is not modified in respect of this matter. The financial statements do not include any adjustments that would result if the Company were unable to continue as a going concern. For further details, refer to the 'Going Concern' section of the Directors' Report on pages 15 to 16 and in note 1 to the financial statements.

STRATEGIC REPORT

Strategy and business model

7digital provides end-to-end digital music solutions for its business customers. The core of our business is the provision of robust and scalable technical infrastructure combined with extensive global music rights used to create music streaming and radio services. We cater for a diverse range of B2B customers – including consumer and social media brands, online fitness companies, mobile carriers, broadcasters, automotive systems, record labels and retailers. Our core platform provides customers with access to cloud-based software. We also offer radio production and music curation services.

Our strategic priority is to secure monthly recurring long-term contracts for our Music-as-as-a-Service platform, focusing on our key business-to-business markets of social media and home fitness.

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

- offering flexible, productised, end-to-end music solutions;
- increasing the number of clients we serve in strategic, well-funded market verticals;
- improving the financial quality of our business by driving recurring SaaS and PaaS revenues;
- expanding and leveraging our geographic coverage;
- continued investment in market leading technology to meet shifting technology trends, user consumption and client needs;
- applying strict control of our cost base to ensure that revenue growth is quickly reflected in improved overall Group profitability; and
- establishing and maintaining a partner channel program for scaling sales into the identified target market verticals.

7digital operates:

- business–to–business technology and music services (Licensing revenue), which is our primary focus;
- business–to–consumer music services under the 7digital brand (Content revenue); and
- content production under the 7digital Creative brand.

7digital is also seeking to utilise its platform to leverage the growing trend in artist monetisation whereby artists' managers and labels are looking for new ways to monetise music consumption, such as through sponsorships, music sales and merchandise.

Licensing

7digital's core business is to provide an API for third parties that wish to create digital music services, either standalone or bundled within their own device or product offering. 7digital's platform simplifies access to music by offering a combination of a licensed music catalogue alongside the cloud-based technology platform and client-side software, being software hosted by 7digital's clients. These are needed to create on-demand music streaming and download services, radio style services and other services. The 7digital platform is open, with open-source code to reduce complexity and time to market for its potential customers and can be used for building products on any type of connected device.

Platform revenue comprises the following fee structures:

- Set-up fee for granting access to the 7digital platform and use of a given catalogue across required territories, plus any associated initial configuration work
- Monthly access fee, which is a fixed fee based on catalogue size and number of territories
- Usage, which covers certain variable costs like bandwidth
- Reporting – variable charges to generate royalty and usage reports to rights holders

Content

7digital.com is a licensed digital music store available in almost 20 countries. The 7digital.com music download store offers a catalogue of high-quality digital music from the major labels and independent aggregators in Europe, North America and parts of Asia-Pacific. Users have the option to download their purchases as zip files or by using the 7digital download manager to input directly into their media player of choice. 7digital has apps for different devices as well as an HTML5, mobile optimised web store. Content (download) revenues are recognised by 7digital on the delivery of content.

Creative

7digital produces approximately 1,200 hours of video and audio content every year. It benefits from regular commissions from the BBC's national radio networks as well as one-off commissions from other broadcasters, such as Sky Television. Key programmes include 'Sounds of the Sixties' and 'Pick of the Pops' on Radio 2, 'Radcliffe and Maconie Show' on Radio 6 and 'Folk Show' on Radio 2. Our Entertainment News content is distributed to around 150 commercial radio stations.

Artist monetisation
In August 2020, 7digital partnered with eMusic to launch eMusic Live, a first-of-its-kind virtual concert platform for artists and the wider music industry to monetise online performances. In light of the physical restrictions on live gigs during the pandemic, eMusic Live creates a new way for artists to engage with fans and recoup lost income. However, it also paves the way for new means of engagement and income stream in a post-pandemic world, such as providing ticket bundles, music sales, VIP experiences, merchandise and collectibles in a single web-based platform. It will be powered using 7digital's advanced technology platform and, as the platform expands, it is expected to also utilise 7digital's trusted expertise in B2B music solutions and flexible services, combined with eMusic's pioneering B2C technology and functionality, to introduce new solutions for the live music industry.

Principal risks and uncertainties
The Directors consider the principal risks and uncertainties facing the Group, and a summary of the key measures taken to mitigate those risks, are as follows:

Financial risks
The key financial risk is the availability of sufficient funding until the business reaches a sustained positive cash generative position. The Group has an experienced finance team that provides effective management of the Group's financial exposures, with a strong focus on cash control. During the year, the Group raised £6m (gross) of new equity financing and secured a revolving credit facility of £1m and continued to reduce overheads. As stated in the going concern section of note 1 to the financial statements, the impact of COVID-19 in delaying customer purchasing decisions to the second half of 2020 and into 2021 has put pressure on the Group's short-term working capital. However, with the forecast revenue growth along with the support from its largest shareholders, the Board is confident that the Group will have sufficient funding to enable it to capitalise on the growth opportunities it has identified.

Competition
The market in which the Group operates has seen a number of significant changes, such as the shift from physical sales to digital 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. However, 7digital's position in the market and strong relationship with the major record companies mean we have support to help grow the market by significantly lowering the barriers to entry for new services and formats for music consumption. The Group's product roadmap is regularly evaluated against the developing marketplace to ensure that we remain competitive.

Market demand
The Directors believe that the overall market for the Group's products and services will continue to grow and that its success will be driven by how well it can execute in the market. The Group subscribes to the leading music market research service MIDiA and holds regular meetings with their leading analyst to monitor trends in the marketplace and therefore anticipate developments. There can, however, be no assurance that growth in the market for its products and services will occur at the rate envisaged by the Group.

COVID-19
There is a risk that the global pandemic could slow the anticipated demand for the Group's services or that customers may terminate their contracts. However, with the execution of the revised strategy to focus on sectors that are beneficiaries of the pandemic and the associated changes in music consumption, the Directors believe that the Group is well-placed to grow the business.

Operational risks
The key risk to the Group's operations is any disruption in the availability or performance of its music platform. The Group has invested in a cloud-based disaster-recovery environment for its core databases so that the platform can continue to run in the event of a serious incident at its datacentres. The Group has also moved its back-office file servers into a cloud-based service, so they are not reliant on a datacentre. The Group has implemented a number of measures to protect against the threat of a cyberattack, such as investing in a cloud-based pen testing service that scans IT endpoints daily for vulnerabilities in both the Group's data centre and cloud environments.

Section 172 statement

Section 172 of the Companies Act 2006 requires each director of the Group to act in the way they consider, in good faith, would most likely promote the success of the Group for the benefit of its members as a whole. In this way, Section 172 requires a director to have regard, amongst other matters, to the: likely consequences of any decisions in the long-term; interests of the Group's employees; need to foster the Group's business relationships with suppliers, customers and other material stakeholders; impact of the Group's operations on local communities and the environment; desirability of the Group maintaining a reputation for high standards of business conduct; and need to act fairly between members of the Group.

In discharging its 172 duties, the Board has considered the factors set out above and the views of key stakeholders as described below.

The Board acknowledges that some decisions will not necessarily result in a positive outcome for all of 7digital's stakeholders. However, by considering the Group's purpose, mission and values and commitment to responsible business together with its strategic priorities and having a process in place for decision-making, the Board aims to ensure that its decisions are in the best interests of the business.

We operate in a sensitive environment between right holders and service providers, commercial entities and brands, and as such ensure that we meet all the standards required by our customers and our suppliers, such as privacy, information governance, reporting and rights compliance.

Employees

The Group is small and, while clear management structures are in place, all employees, if required, have direct access to the Executive Directors daily and, if necessary, to the Chairman. The Group retains HR services to ensure the fair and equitable treatment of employees. The Group promotes a policy of promoting from within supported by training and mentorship. We encourage diverse thinking and recognise strengths and contribution to the business.

The Group conducts monthly all staff engagement surveys, with the results shared company-wide, and holds quarterly survey meetings for teams and their managers to take immediate action on feedback from employees. The Group introduced several initiatives in 2020 based on the feedback to the 2019 survey, such as a learning and development training stipend; salary review conversations and working to increase visibility on pay and reward; and an employee share incentive scheme (launched post period).

During 2020, the Group also implemented measures to support its workforce in dealing with the COVID-19 pandemic. This included introducing an Employee Assistance Programme to provide employees and their family members with complimentary 24/7 access to support for mental health, financial and other advisory needs; providing access to online GP services; training three mental health first aiders for different parts of the business; introducing a monthly health & wellbeing survey; offering flexible working to support parents and carers; issuing screens and equipment from the office for home use; providing full sick pay for those self-isolating or ill with COVID-19; holding regular 'All Hands' meetings to provide updates; and arranging regular remote social events.

The Group is pleased to note that its Employer Net Promoter Score increased from -26 in January 2020 to +10 in January 2021 and the Staff Survey Engagement Score improved from 6.7 in January 2020 to 7.4 in January 2021. In addition, in Q1 2020, 45% of employees responded that they felt 'highly valued', which increased to 59% by Q1 2021.

Customers

We engage and build our relationships with our customers in a number of ways, from tech- and product-driven updates that improve efficiency and transparency in operations and standards of performance, to our face-to-face interactions with our "white glove" standard customer service. We undertake quarterly business reviews with our clients to report on account performance, user and account level analytics, technology roadmap and new partnerships supported as well as to gather customer feedback. During 2020, the Group introduced a client support hub and new client-facing documentation. In addition, the success of the Group's client engagement was demonstrated with renewal agreements being signed with 16 existing clients in 2020.

Suppliers
We engage with our label partners frequently during the ordinary course of business to communicate new client deals and to seek relevant approvals to make content available. We undertake quarterly business reviews with the major labels to report on performance, collaborate on market opportunities and provide them with updates on the 7digital strategy. We also speak at events hosted by label and publisher-led organisations, such as the Association of Independent Music, the British Phonographic Industry and the Music Publishers Association. The Group is also in the process of consolidating around key suppliers to enhance the relationships and make better use of their services.

Shareholders
The Board is focused on delivering value for shareholders by focusing on continued strategic innovation via a policy of market validation and product development funded through organic investment plus capital raises, as agreed at shareholder meetings, and supported by clearly communicated vision and direction. In our communication to shareholders, the Board is clear in terms of its short, medium and long-term strategy and maintains an open-door approach to shareholders seeking additional clarity on any issue and offers a dedicated investor email contact via the website. The Board release notices on a regular basis informing shareholders of developments in areas of business progress, non-confidential strategic decisions and any change to Group policy. During 2020, the Group hosted two online investor meetings where Paul Langworthy, CEO, presented information on the Group's operations and strategy and investors were given the opportunity to ask questions. In addition, post year end, the Group launched a monthly investor newsletter to provide investors with further detail on the Group's activities.

Key Performance Indicators
For the year ended 31 December 2020, we measured our performance using the key indicators below. As the business develops, the Board intends to adopt additional, non-financial key performance indicators (KPI) to measure the delivery of our strategy:
Revenue
- Why it is a KPI: Reflects the element of billings generated and recognised during the period from all operations and measures our overall performance at a sales level.
- Performance 2020: £6.5m (2019: £9.3m)

Administrative Expenses
- Why it is a KPI: Indirect expenditure on running the business, which reflects cost effectiveness and cost management and which is of key importance while the Group is developing its revenue streams.
- Performance 2020: £7.4m (2019: £13.0m)

Gross Profit
- Why it is a KPI: An indicator of the amount of profit available to cover overheads and ultimately pass to the owners.
- Performance 2020: £4.6m (2019: £6.3m)

Adjusted EBITDA
- Why it is a KPI: A key measure of our effectiveness of turning revenue into earnings.
- Performance 2020: £1.4m loss (2019: £2.5m loss)

Cash Balance
- Why it is a KPI: The Group's cash balance provides a measure of our financial strength and self-sufficiency to support operations while the business is at the pre-profit stage.
- Performance 2020: £2.8m at year end (2019: £0.1m)

Debtor Days
- Why it is a KPI: An indicator of how quickly invoices are converted to cash which can be put to use to support operations and management strategy.
- Performance 2020: 55 (2019: 33)

Approved by the Board of Directors and signed on behalf of the Board.

Paul Langworthy
CEO
Lower Lock, Water Lane, London, NW1 8JZ
29 June 2021

EXECUTIVE DIRECTORS:

Paul Langworthy, Chief Executive Officer
Paul was appointed CEO of 7digital in July 2019, to lead the restructuring and repositioning of the Group as a global leader in B2B music solutions. Under his leadership, the Group has refocussed to capitalize on the flexibility and scalability of the 7digital platform technology and catalogue to power unique and diversified customer experiences on behalf of enterprises and brands in the music streaming space. Previously COO, Paul was responsible for organizing the business to meet its strategic goals and objectives. Paul joined 7digital in April 2013 and has become a driving force in the Group's operations. Initially managing the Group's content supply chain, he later took leadership of 7digital's Client Operations teams. Paul also oversaw operations within the Production businesses that became part of 7digital Group plc following the 2014 merger with UBC Media. With 18 years of experience in digital and content operations, Paul has worked across all aspects of the digital supply chain including metadata, rights, scheduling, asset management and distribution. Prior to 7digital, Paul oversaw Content Operations at digital TV service YouView. He also spent over nine years with Universal Music Group within the label's International Digital Supply Chain Management division.

Michael Jusekwicz, Chief Financial Officer
Michael is an experienced technology, media and finance executive who currently also holds the position of CFO & Head of Corporate Development at eMusic. Michael spent over 10 years working in investment banking, mergers & acquisitions, and capital markets at the TMT groups of Bank of America Merrill Lynch, Nomura, and Cyndx. Michael has also acted as interim CFO of Export Now, a cross border focused e-commerce company, and gained experience working for the international accounting firm BDO. He holds an MBA from the University of Chicago Booth School of Business and a Bachelor of Science with a double major in both Accounting and Economics from Tel Aviv University. Michael was appointed the Group Company Secretary on 25 September 2019.

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NON-EXECUTIVE DIRECTORS:

Tamir Koch, Chair
Tamir is President of eMusic.com Inc., an online music and audiobook store and brand which started trading in 1998 and is focused on discovery and sales of independent music and artists. Most recently Tamir has led the eMusic Blockchain Project, seeking to provide a decentralised approach to music distribution and rights management to facilitate the utilisation of blockchain within the music industry. Tamir has previously founded several successful start-ups including Orca Interactive and Dotomi. Orca was sold to Emblaze Systems in 2000, which then floated Orca on AIM. It was subsequently acquired by France Telecom in 2008. Dotomi was acquired by ValueClick in 2011.

David Lazarus
David is an industrialist and international entrepreneur. David spent six years at Lloyds of London as an accredited Lloyds Broker attending to Insurance and Re-Insurance. David is currently an Executive Director of the RAM Hand-to-Hand Couriers Group, a leader in the Courier, Logistics and Express Parcel Industry in Southern Africa. The RAM Group operates from approximately 40 hubs, with approximately 1,700 vehicles and over 2,800 staff across Southern Africa. David is also a member of the Young Presidents Organisation. David has been involved in several international businesses, including having knowledge of the various investments of Magic.

INDEPENDENT NON-EXECUTIVE DIRECTORS:

Mark Foster
Mark has spent much of his career in the music industry, in a succession of Marketing and International roles for all three major labels, including time in Paris as Marketing Director for Warner Music France. Returning to London as Vice President of European Marketing, Foster oversaw pan-regional marketing strategy before founding Warner Music International's New Media Division. After leaving Warner, he launched and ran Deezer in the UK and Ireland, then was appointed CEO for Arts Alliance, a leading global player in Event Cinema. Since 2015, he has developed a portfolio of NED and chair roles for a range of businesses, including highly respected entertainment analysts MIDiA Research, and has led the digital transformation strategy for Moat Homes, a major Housing Association. In addition, he acts as advisor and brand ambassador for a number of start-ups and scale-ups in the digital entertainment and creative industries.

Helen Gilder (appointed 6 February 2020)
Helen brings a wealth of experience from her time as CFO at AIM-listed ZOO Digital Group plc, where she was part of the team taking the business from tech start up to success in the international entertainment industry. Since leaving ZOO in 2018 Helen has built a portfolio of NED and advisory roles in a range of businesses and is chairperson of a small charity. Helen qualified with the Institute of Chartered Accountants in England and Wales in 1991.

GOVERNANCE
Directors' Report

The Board of Directors present their annual report and the audited financial statements for the year ended 31 December 2020. The Corporate Governance Statement on pages 18 to 20 forms part of this report.

Business review and future developments
The Chief Executive's Review is contained on pages 4 to 5, the Chief Financial Officer's Review is contained on pages 6 to 7 and the Corporate Governance Statement on pages 18 to 20; these reviews and reports, together with the information contained within the Directors' Report constitute the Business Review. The Business Review has been prepared solely to provide additional information to shareholders to assess the Group's strategies and the potential for these strategies to succeed.

The Business Review contains certain forward-looking statements. These statements are made by the directors in good faith based on the information available to them up to the time of their approval of this report and such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward-looking information.

Results and dividends
The Group's financial results for the year are shown in the Consolidated Income Statement on page 31. As in the previous year, the Board of Directors is not proposing a final dividend for the year ended 31 December 2020.

Directors' indemnities
The Group has made qualifying third-party indemnity provisions for the benefit of its directors that were made during the year and remain in force at the date of this report. Directors' and officers' indemnity insurance with an annual limit of £1 million is maintained.

Substantial shareholders
As of 21 June 2021, shareholders with a beneficial interest in 3% or more of the Company's issued share capital were as follows:

	Number of Shares	% of issued share capital	% of voting rights
Magic Investments S.A. Limited	742,436,219	27.27%	27.27%
Shmuel Koch Holdings	445,012,126	16.35%	16.35%
Mr Joseph D Samberg	345,000,000	12.67%	12.67%
Hargreaves Lansdown PLC	185,185,235	6.80%	6.80%
Interactive Investor Trading	104,638,299	3.84%	3.84%
The Joe & Sandy Samberg Foundation Inc	100,000,000	3.67%	3.67%
LAS Investments	90,111,111	3.31%	3.31%
Mr Noam Band	89,000,000	3.27%	3.27%

Capital structure
The Group is primarily funded through readily available cash and working capital management.

Details of the authorised and issued share capital, together with details of the movements in the Company's issued share capital during the year, are shown in note 22.

The Company's share capital consists of 2,722,085,961 Ordinary 0.01p shares which carry full voting rights, 419,622,489 Deferred 0.99p shares and 115,751,517 Deferred 9p shares both of which carry limited voting rights. The Ordinary shares carry no right to fixed income. Each Ordinary Share carries the right to one vote at general meetings of the Company. Details of the share capital can be found in note 22.

There are no specific restrictions on the size of a holding or on the transfer of shares, which are both governed by the general provisions of the Articles of Association and prevailing legislation. The Directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on the transfer of securities or on voting rights. Details of employee share schemes are set out in note 27.

No person has any special right of control over the Company's share capital and all issued shares are fully paid.

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With regards to the appointment and replacement of directors, the Company is governed by its Articles of Association, the Companies Act 2006 and related legislation. The Articles themselves may be amended by special resolution of the shareholders. The powers of directors are described in the Main Board Terms of Reference, copies of which are available on request and the Corporate Governance Statement on pages 18 to 20.

Please refer to the post balance sheet note 28.

Financial risk management
Consideration of principal risks and uncertainties are included on pages 9 to 10 of the Strategic Report including the management of financial risks. These are also outlined further in note 29.

Re-election of directors
The directors who retire by rotation in accordance with the Articles of Association will offer themselves for re-election at the Company's Annual General Meeting ("AGM"). The Board has considered the requirements of the QCA Corporate Governance Code in respect of these matters and believes that these members continue to be effective and to demonstrate their commitment to their role, the Board and the Group. Brief particulars of all directors can be found on pages 12 to 13.

Going concern
The Group made a loss after tax of £1,287k in the year (2019: £5,777K) and at year end had a net current liability position of £3,245k. This net current liability position is significantly improved on the 2019 position of £6,575k. The pressure on short-term working capital combined with a reliance on anticipated revenue growth, which is sensitive to factors outside the Group's control and with a risk that the Group's sales targets are not met, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. The Group's two major shareholders have confirmed their financial support for 12 months from the date of signing these financial statements to allow the Group to manage its working capital and to support growth needs as and when they fall due. On the basis the Group achieves the sales in the 2021 and 2022 forecast, the Directors are optimistic that the Group will have sufficient financing available until at least 31 June 2022. The Directors are also confident that the Group will achieve its forecast revenue for 2021 and 2022, and that it will generate a positive EBITDA in the next 12 months from the date of signing the accounts. If the forecast revenue is not achieved, the Group is confident that further cost savings can be implemented or additional financing sought, although nothing has been secured at the current date.

The stress test performed on the Group's forecast EBITDA, representing a plausible worst-case scenario, noted that there is a short-term liquidity issue over the coming three months that will be mitigated by third party financing or via the committed support from its shareholders. Beyond this period, should revenues be in line with the plausible worst-case sensitised forecast, continued support from the shareholders will be required to ensure the Group has sufficient liquidity to meet its liabilities as and when they fall due.

The Group's two major shareholders have confirmed their financial support for 12 months from the date of signing these financial statements to allow the Group to manage its working capital, taking into account the plausible worst-case scenario, and to support growth needs as and when they fall due. The Directors are satisfied that the shareholders have demonstrated their intention and means to provide this funding as and when this is required. This has been represented to the Directors in a letter of support from the two major shareholders in the Group.

COVID-19
In March 2020, the World Health Organisation declared a global pandemic due to the COVID-19 virus that has, and continues to, spread across the globe, causing different governments and countries to enforce restrictions on movement of people and international travel, and implement other precautionary measures. This has had a widespread impact economically and a number of industries have been heavily affected. Our financial results show that the Group has been resilient to the effects of COVID-19 and is now well positioned to take advantage of the improving economic conditions, driven predominantly by the successful roll out of vaccination programmes.

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Conclusion
On the basis of the above assessment, the Directors consider the Group to be a going concern whilst highlighting there to be the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern for the following reasons:

- The Group requires sufficient revenue growth as included within forecasts to ensure that it is able to meet liabilities as and when they fall due without further support from the shareholders. Should this not occur, and additional funding not be available, this would cast significant doubt as to the entity's ability to continue as a going concern.
- The Group is likely to be reliant on shareholder support in the short and medium term to ensure that there is sufficient liquidity to meet its liabilities as and when they fall due, should third party financing options not materialise. Should this funding not be received, significant doubt would be cast as to the Group's ability to continue as a going concern.

The Directors are, however, confident that the shareholders will provide the required support to the Group to enable it to pay its liabilities as and when they fall due. The Directors are also confident that the Group will generate the revenue growth required to ensure no further funding is necessary to meet its liabilities as and when they fall due for a period of at least 12 months. On this basis, the Directors have prepared the financial statements on a going concern basis, whilst disclosing a material uncertainty relating to going concern in relation to shareholder funding and revenue growth being required, and these being uncertain events. As such, the financial statements do not include any adjustments should the going concern basis be inappropriate.

Policy and practice on payment of creditors
Each Group company is responsible for agreeing the details of terms and conditions relating to transactions with its suppliers where goods and services have been supplied in accordance with the relevant terms and conditions of the contract. Trade creditors for the Group at 31 December 2020 represented 286 days of purchases (31 December 2019: 241 days of purchases).

Auditor
Haysmacintyre LLP were appointed on 9 February 2021 as the auditors for the year ended 31 December 2020 and will be proposed for appointment at the Annual General Meeting.

Directors' statement as to the disclosure of information to the auditor
Each of the persons who is a director at the date of approval of this annual report confirms that:
- so far as the directors are aware, there is no relevant audit information of which the Group's auditor is unaware; and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Statement of Directors' Responsibilities
The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and Parent Company financial statements for each financial year. Under that law, the directors are required to prepare Group financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and Article 4 of the IAS Regulation and have elected to prepare the Parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The Parent Company financial statements are required by law to give a true and fair view of the state of affairs of the Company. Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing the Group financial statements, International Accounting Standard 1 requires that directors:

(continued)

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

In preparing the Parent Company 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Approved by the Board of Directors and signed on behalf of the Board.

Mark Foster
Director
Lower Lock, Water Lane, London, NW1 8JZ
29 June 2021

GOVERNANCE
Corporate Governance Statement

For the purposes of AIM Rule 26, the recognised corporate governance code that the Board has decided to apply is the Quoted Companies Alliance Corporate Governance Code 2018 ('QCA Code'). The Board believes the QCA Code provides the most appropriate framework of governance arrangements for the Company, considering the size and stage of development of the Company's business. The Board supports the principles and aims of the Code and intends to ensure that the Group observes the provisions of the Code as it grows, as far as is practical. The following information is provided to explain how the Company complies with the QCA Code.

Board Composition
The Company is controlled through a Board of Directors, which at 31 December 2020 comprised six directors: two executive directors, two non-executive directors and two independent non-executive directors. Short biographies of each director are set out on pages 12 to 13. The role of the Chair and that of the Chief Executive are separate.

Tamir Koch, the Chair, is not considered by the Board to be independent by virtue of the fact that he is Executive Chair of TriPlay Inc., a customer of one of the subsidiaries, and his related party relationship with Shmuel Koch Holdings which is a substantial shareholder. David Lazarus is not considered by the Board to be independent by virtue of the fact that he is Executive Chair of Magic Investments SA which is a substantial shareholder. Mark Foster and Helen Gilder are considered independent by the Board.

Board Role
The Chair is responsible for the leadership of the Board, ensuring its effectiveness in all aspects of its role and setting its agenda. The Chair also ensures that the directors receive accurate, timely and clear information and that there is effective communication with shareholders. The Chair also facilitates the effective contribution of the other non-executive directors and ensures constructive relations between executive and non-executive directors. The Chief Executive's responsibilities are concerned with managing the Group's business and implementing Group strategy.

The Board's role is to provide entrepreneurial leadership of 7digital within the framework of prudent and effective controls that enable risk to be assessed and managed. The Board is responsible for setting the Company's strategic aims and for ensuring the financial and human resources are in place for the Company to meet its objectives and to review management performance. The Board is also responsible for setting the Company's values and standards and ensuring that its obligations to its shareholders are understood and met. The Board dispatches its role by holding regular meetings, at which:

- the monthly management accounts, including budgets and prior year comparatives, are reviewed;
- strategy is set and policy is debated;
- all significant investment and acquisition opportunities are reviewed and, if appropriate, approval is given; and
- any proposed changes to internal control and operating policies are debated.

Skills and Expertise
The non-executive directors bring a wide range of experience and expertise to the Group's affairs, which allow them to constructively challenge and help develop proposals and strategy, scrutinise performance and controls and take decisions objectively in the interests of the Group.

Strategy and Corporate Governance
An updated description of the Company's business model is provided in the Strategic Report and is included in this report at pages 8 to 9. The Company's Board composition and the areas of skill and expertise detailed above have been designed to support the Company's next stage of growth.

The Board is responsible for maintaining a sound system of internal control to safeguard shareholders' investments and the Company's assets. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide only reasonable and not absolute assurance against material misstatement or loss. The Board has considered the need for an internal audit function and has concluded that the internal control systems in place are appropriate for the size and complexity of the Company.

The Board is also responsible for the identification and evaluation of major risks faced by the Group and for determining the appropriate course of action to manage those risks. The Board has put in place the procedures necessary to implement and comply with the guidance; Internal Control: Guidance for Directors as issued by the Financial Reporting Council (Revised). The directors performed an informal review of the Group's control systems during the financial year.

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The Group carries insurance to indemnify directors for claims made against them in relation to their duties, with the exception of any losses incurred as a result of their wilful negligence. Cover with an annual limit of £1 million is maintained.

Board Evaluation and Re-election
Procedures around performance evaluation of the Board are conducted informally while individual director evaluation is conducted formally by the Chair. The Board continues to evaluate the current balance of skills and determine whether the Board composition is appropriate for the business, and in order to propel the Company to further growth as anticipated. Progress as to this process will be reported in due course to shareholders, and further updates provided.

One-third of the directors must retire from office by rotation at each annual general meeting (AGM) and all directors appointed since the date of the last AGM must put themselves forward for re-election.

Meeting Frequency
During the year, the total number of formal meetings of the Board of 7digital Group plc was 8. The attendance at formal scheduled meetings of the Board was as follows:

	Number of Board Meetings attended	Number of eligible Board Meetings
P Langworthy	8	8
M Juskiewisz	8	8
T Koch	8	8
D Lazarus	8	8
M Foster	8	8
H Gilder	7	7 *Appointed February 2020*

In addition, there were a number of informal meetings of the Board.

The Company has adopted the Market Abuse Regulation for Directors' dealings as applicable to AIM companies.

The Executive Directors are full-time employees, and the Non-Executive Directors are required to devote sufficient time to discharge the duties of their office.

Financial reporting
The Board places considerable emphasis on ensuring that all communications with shareholders present a balanced and transparent assessment of the Group's position and prospects. The Board or a subcommittee of the Board reviews and approves results announcements, interim reports, annual reports, the Chair's AGM statement and trading updates prior to their release. The Statement of Directors' Responsibility in respect of the preparation of financial statements is set out on pages 16 to 17 and the auditor's statement on the respective responsibilities of directors and the auditor is included within their report on pages 24 to 30.

Committees of the Board
The Board has two standing committees, being the Audit Committee and the Remuneration Committee each of which operates within defined terms of reference.

Audit Committee
The Audit Committee consists of Mark Foster (the Chair until February 2020) and Helen Gilder (appointed February 2020; Chair from February 2020). The Audit Committee has primary responsibility for monitoring the integrity of the financial statements of the Group; reviewing the Group's internal financial controls; ensuring that the financial performance of the Group is properly measured and reported on; and for reviewing reports from the Group's auditor relating to the Group's accounting and internal financial controls. The Chief Financial Officer and other senior management also attend committee meetings by invitation. The Committee has unrestricted access to the Company's auditor.

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The Audit Committee met formally twice during the period and intend to meet more regularly in the future with the Committee already having met twice post year-end. The Committee reviews arrangements by which staff of the Group may raise in confidence concerns about improprieties in matters of financial reporting or other matters and investigates appropriate follow-up action.

The Audit Committee recommends to the Board the appointment, re-appointment or removal of the external auditor. On 9 February 2021, the Audit Committee made the decision to appoint Haysmacintyre LLP as external auditors.

Remuneration Committee
The Remuneration Committee consists of Mark Foster, as chairman, Tamir Koch and Helen Gilder (appointed February 2020). Further details of the Committee's remit are contained in the Directors' Remuneration Report on pages 21 to 22. The Remuneration Committee met formally once during the period.

Risk Register
A risk register was implemented in Q1 2020 to improve process, enhance and strengthen internal controls and manage risk.

Relations with shareholders
The Company recognises that shareholder support is instrumental in the future growth of the Company. The Board is committed to maintaining and further developing communications with shareholders. The executive directors and Chairman give presentations to analysts and investors and are available for one-to-one formal meetings with the Group's key shareholders, with further opportunities for shareholder contact during the year with the investor roadshow prior to the cash fundraise.

The Company responds formally to all queries and requests for information from existing and prospective shareholders. In addition, the non-executive directors are available to shareholders to ensure that any potential concerns can be raised directly. The Group's Annual Report and Accounts, final and interim announcements, trading statements and press releases are available on its website at about.7digital.com.

Constructive use of the AGM
The Board uses the Annual General Meeting to communicate with both institutional and private shareholders. Resolutions are proposed on each substantially separate issue and the agenda includes a resolution to adopt the Group's Annual Report and Accounts. Details of the proxy votes for and against each resolution are announced after the result of the hand votes is known. Before the formal business of the AGM is undertaken, the Chair invites shareholders' questions to the Board.

Remuneration Committee
The Board has established a Remuneration Committee with formally delegated duties and responsibilities. The Remuneration Committee consists of Mark Foster, as chairman, Tamir Koch and Helen Gilder (appointed February 2020). The provisions of the QCA Code recommend that as Company Chairman, Tamir Koch, should not be a member of the Committee. However, it was considered that Tamir's experience and knowledge is of considerable value to the Committee and as a result he has been appointed a member of the Committee. The Remuneration Committee has responsibility for determining executive directors' terms and conditions of service, including remuneration and grant of options under the Share Option Schemes.

Remuneration policy for executive directors
The Company's policy on executive director remuneration is to:

- Attract and retain high-quality executives by paying competitive remuneration packages relevant to each director's role, experience and the external market; and
- Incentivise directors to maximise shareholder value through share options and the payment of an annual bonus.

The remuneration of each of the directors (as audited) for the year ended 31 December 2020 for the 7digital Group was as follows:

	Salary £'000	**Fees £'000**	**Share-based payments £'000**	**Bonus £'000**	**Pension contribution £'000**	**Total 2020 £'000**	Total 2019 £'000
Executive							
P Langworthy	240	-	49	60	9	**358**	205
M Juskiewicz (1)	-	189	-	-	-	**189**	54
Non-executive							
M Foster (2)	50	-	5	-	-	**55**	52
H Gilder (3)	35	-	5	-	1	**41**	6
Total	325	189	59	60	10	**643**	317

(1) M Juskiewicz was paid fees of £189k via his consultancy business in the US.
(2) M Foster, at 31 December 2020, was owed fees payable in shares of £25,000, which was satisfied by the issue of 5,000,000 options allotted on 27 May 2021.
(3) H Gilder, at 31 December 2020, was owed fees payable in shares of £7,500, which was satisfied by the issue of 527,778 options allotted on 27 May 2021.

Total employer national insurance contributions relating to Directors' remuneration were £33,923.

Directors and their interests
The directors who held office at 31 December 2020 had the following interest in the ordinary share capital of the Company at the end of the year:

	2020		**2019**	
	Number of ordinary shares	**Ordinary shares under options**	**Number of ordinary shares**	**Ordinary shares under options**
D Lazarus (1)	**742,436,219**	**-**	**742,436,219**	**-**
T Koch (2)	**445,012,126**	**-**	**445,012,126**	**-**
M Foster	**587,943**	**-**	**587,943**	**-**
P Langworthy	**25,572**	**2,716,667**	**25,572**	**2,783,334**

At 31 December 2020, the following directors' interests were also noted:
1. 742,436,219 (2019: 742,436,219) were held by Magic Investments SA of which D Lazarus is a director.
2. 445,012,126 (2019: 445,012,126) were held by a Shmuel Koch Holdings of which T Koch is a director.

(continued)

During the year, no shares were issued to Non-executive Directors in lieu of remuneration. At 31 December 2020, 6,122,187 (2019: 5,416,667) shares were due to be issued.

	Accrued gross number of ordinary shares remaining due at 31 Dec 2019	Shares issued during year in lieu of remuneration	Shares forfeited during year due to resignations	Shares accrued during the year in lieu of remuneration	Accrued gross number of ordinary shares remaining due at 31 Dec 2020
M Foster	4,166,667	-	-	461,569	4,628,236
H Gilder	-	-	-	1,493,951	1,493,951
Total	**4,166,667**	**-**	**-**	**1,955,520**	**6,122,187**

The accrued gross number of shares remaining at 31 December 2020 of 6,122,187 was satisfied by the issuance of 5,527,778 nil-cost options on 27 May 2021 with accelerated one-year vesting period.

The Company has established a tax efficient EMI option scheme, an "unapproved" share option scheme pursuant to which the CEO, CFO and other members of staff have been or may be granted share options. Options granted under these schemes have a vesting schedule and for Senior Management, performance criteria are defined.

The number, exercise price and earliest and latest dates of exercise of options over ordinary shares in the Company held by Directors at the end of the year were as follows:

	Share Options	**Currently Exercisable**	**Exercise price**	**Earliest exercise date**	**Latest exercise date**
P Langworthy	**2,716,667**	0	0.0p	08 Aug 2020	28 Aug 2021

There are a number of performance conditions relating to the financial periods ending December 2016, 2017, 2018, 2019 and 2020 attached to these options. Of these options granted, the table below shows the options issued, exercised, lapsed or forfeited during 2020:

	Share Options held at 31 December 2019	**Issued**	**Forfeited**	**Lapsed**	**Share Options held at 31 December 2020**
Paul Langworthy	2,783,334	-	(66,667)	-	**2,716,667**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF 7DIGITAL GROUP PLC

Opinion

We have audited the financial statements of 7Digital Group PLC (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2020 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Statement of Financial Position, the Consolidated and Parent Company Statements of Cash Flows, the Consolidated and Parent Company Statements of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 Reduced Disclosure Framework (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 of the Parent Company's affairs as at 31 December 2020 and of the Group's loss for the year then ended;
• the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
• the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
• the financial statements 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 Group 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 as applied to listed entities, 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.

Material uncertainty related to going concern

The Group made a loss before tax of £2.275m during the year ended 31 December 2020 and, as of that date, the Group's liabilities exceeded its total assets by £2.704m. We draw attention to note 1, the accounting policy note on going concern, and the various disclosures made throughout the directors' reports. As stated in this note, these events indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

The financial statements do not include any adjustments that would result if the Group was unable to continue as a going concern.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF 7DIGITAL GROUP PLC

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified. These matters included those which had the greatest effect on the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter Description	How the matter was addressed in the audit
Revenue recognition See the revenue accounting policy in note 1 of the financial statements. The majority of revenue is in relation to B2B license revenue where the risk in relation to revenue recognition is considered to be that revenue is overstated, specifically being recognised in advance of performance obligations being met. Additionally, where there are set up fees on the license revenue streams, there is a risk that the revenue is incorrectly recognised under IFRS 15. There is a risk that content revenue is overstated, specifically around the year-end. There is a risk that creative revenue is overstated, specifically where revenue is recognised over the length of the contract which spans the year-end.	Our audit work has focused on ensuring that the revenue recognition methods for each revenue stream utilised by management, are in line with the applicable accounting standard IFRS 15. For licensing revenue, a sample of license contracts was selected for testing. The revenue recognised in the year in relation to each contract was recalculated in line with the terms of the contract. It was agreed that performance obligations were met in relation to revenue recognised on each contract. For content revenue, a test in total of all content revenue was performed using a cash receipts to sales reconciliation. Substantive testing was used to test the cut-off of revenue around the year-end. For creative revenue, a sample of contracts from the year were selected for testing and revenue recognised in the year was reviewed against the performance obligations detailed in the contract. A selection of transactions was tested around the year-end to ensure appropriate cut-off of revenue. A sample of deferred income items were tested in conjunction with contracts that span the year-end.

Completeness of digital content cost of sales and associate accrual (£1.02m) Included in the Group Statement of Financial Position is an accrual for unbilled content related cost of sales. See critical judgements and key areas of estimation uncertainty note 1.1 for further details of the estimation uncertainty in relation to this balance. There is a high level of estimation required in assessing the content accrual which requires the use of multiple sources of data and historic trends for management to make their best estimate of this balance. There is a risk that the content accrual and costs recognised in the year are materially misstated.	Our audit work considered, but was not restricted to, the following: • A critical review of the estimates made by management in determining the appropriate accrual at the end of the year with reference to various data sources and historic invoicing patterns • A review of the reconciliation between the brought forward and carried forward accrual by confirming invoices, received in the year recognised against the accrual, have been appropriately classified • Post year end invoice testing to test for a potential understatement of the accrual at the year end • A test on a sample basis, of movements in the accrual in the year with reference to the usage reports sent to record labels • A test of the veracity of the usage report data in relation to content sales recorded in the year, tracing sales from the bank to appropriate inclusion in the usage reports We draw attention to note 1 and note 3 of the financial statements, which describe the impact of reversals to accrued content costs on the Statement of Comprehensive Income for the year ended 31 December 2020. Due to the level of estimation uncertainty involved in assessing the appropriate accrual, there is a risk that the accrual recognised at the year end and release of the accrual recorded in the year could be materially different from the actual outcome. Our opinion is not modified in respect of this matter.

Going concern	
As noted in the audit report and the relevant going concern note in note 1, a material uncertainty relating to going concern exists at the year end due to there being matters which cast significant doubt on the Group's ability to continue as a going concern for 12 months from the date of these accounts. At the date of signing the audit report, there is a short-term liquidity deficit. The Directors are satisfied that this does not indicate that the entity is not a going concern due to continued financial support provided by two key shareholders. Additionally, the Directors have prepared a detailed cashflow forecast including a plausible worst-case scenario. Under the base case and plausible worst-case scenarios, the directors are comfortable that the level of support required will be met by the shareholders and as such, consider the Group to be a going concern, but acknowledge there to be a material uncertainty.	Our audit work on this area is detailed below. We have obtained management's going concern assessment, challenged and scrutinised the estimates and assumptions made in the forecasts that allow management to satisfy themselves that the Group is a going concern. This included an assessment of possible methods of preserving cash that management have presented in their forecasts as mitigating factors. We challenged and corroborated management's forecasts and considered previous forecasts against actual results as an indicator of management's ability to successfully forecast. We have reviewed letters of support from two shareholders, showing commitment to provide the Group with the sufficient financial support required to bridge the short-term liquidity issues arising under the base case and plausible worst-case scenario. We verified that these shareholders have sufficient liquid resources to allow them to provide this support. We have reviewed the disclosures made by the Directors in the Directors' report, Strategic report and notes to the financial statements to ensure appropriate disclosure has been made in relation to the material uncertainty noted. Based on the work performed, we are satisfied that the assessment made by Directors regarding the going concern status of the Group is appropriate and that appropriate disclosure has been made in the financial statements. We have highlighted a material uncertainty relating to going concern in our audit report, however our audit opinion is not modified in this regard.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, in evaluating the effect of misstatements and in forming an option. For the purpose of determining whether the financial statements are free from material misstatement, we define materiality as the magnitude of a misstatement or an omission from the financial statements, or related disclosures, that would make it probable that the judgement of a reasonable person, relying on the information would have been changed or influenced by the misstatement or omission. We also determine a level of performance materiality, which we used to determine the extent of testing need, to reduce to an appropriately low level the risk that the aggregate of uncorrected and undetected misstatement exceeds materiality for the financial statements as a whole.

The materiality used for the Group financial statements, as a whole, was set at £65,000. This was determined with reference to 1% of turnover, being a KPI of the Group. On the basis of our risk assessment and review of the Group's control environment, performance materiality was set at 75% of materiality, being £48,750. The reporting threshold to the Audit and Risk Committee was set as 5% of materiality, being £3,250. If in our opinion differences below this level warranted reporting on qualitative grounds, these would also be reported.

The materiality for the Parent Company financial statements was set at £33,000. This was determined with reference to 1% of expenditure based on the company being an investment entity that does not generate revenues. On the basis of our risk assessment and review of the Parent Company's control environment, performance materiality was set at 75% of materiality, being £24,750.

The reporting threshold to the Audit and Risk Committee was set as 5% of materiality, being £1,650. If in our opinion in differences below this level warranted reporting on qualitative grounds, these would also be reported.

An overview of the scope of our audit

Our audit scope included all components of the Group which are all registered companies in the United Kingdom, other than those entities with levels of activity below a clearly trivial threshold when compared to Group materiality namely, in this case, 7Digital Trading Limited. We have audited this company to component materiality, testing any significant balances. We performed our audit of the trading subsidiaries of the Group using a turnover based materiality (as we have used for the Group overall) where 1% of component turnover was considered to be material for each component.

We communicated with both the directors and the audit committee our planned audit work via our audit planning report, and our audit planning call.

We communicated audit progress with the audit committee through an interim audit progress meeting. We have communicated any further issues with the audit committee and the directors in our final audit findings report which was discussed at the completion call with the audit committee.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. 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 the 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF 7DIGITAL GROUP PLC

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 or the directors' report.

We have nothing to report in respect of the following matters in relation to which 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 set out on pages 16 to 17, 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to regulatory requirements for the Investment advisory business and trade regulations, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006, income tax, payroll tax and sales tax.

− Inspecting correspondence with regulators and tax authorities;
− Discussions with management including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
− Evaluating management's controls designed to prevent and detect irregularities;
− Discussions with management regarding any adverse AIM complaints, as well as discussing this with the Company's Nomad.
− Identifying and testing journals, in particular journal entries posted with unusual account combinations, postings by unusual users or with unusual descriptions; and
– Challenging assumptions and judgements made by management in their critical accounting estimates

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF 7DIGITAL GROUP PLC

Use of our 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.

Jon Dawson
(Senior Statutory Auditor)
For and on behalf of Haysmacintyre LLP
Statutory Auditors

10 Queen Street Place
London
EC4R 1AG

29 June 2021

Haysmacintyre LLP is a limited liability partnership registered in England and Wales (with registered number OC423459).

7digital Group plc

CONSOLIDATED INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2020

	Notes	Year to 31 Dec 2020 £'000	As restated Year to 31 Dec 2019 £'000
Continuing operations			
Revenue	2	**6,513**	9,303
Cost of sales		**(1,881)**	(3,006)
Gross profit		**4,632**	**6,297**
Other Income	5	**644**	1,000
Administrative expenses		**(7,415)**	(13,002)
Adjusted operating loss	6	**(1,396)**	(3,426)
- Share based payments	27	**(99)**	(239)
- Foreign exchange		**(179)**	(238)
- Other adjusting items	3	**(465)**	(1,802)
Operating loss	4	**(2,139)**	(5,705)
Finance cost	9	**(136)**	(172)
Loss before income tax		**(2,275)**	(5,877)
Taxation on continuing operations	10	**1**	100
Loss from continuing activities		**(2,274)**	(5,777)
Profit from discontinued operations	15	**987**	-
Loss for the year attributable to owners of the parent company		**(1,287)**	(5,777)
Loss per share (pence)			
Basic and diluted - loss from continuing operations	11	**(0.09)**	**(0.46)**
Basic and diluted - loss attributable to ordinary equity holders	11	**(0.05)**	**(0.46)**

Consolidated Statement of Comprehensive Income

	Notes	Year to 31 Dec 2020 £'000	As restated Year to 31 Dec 2019 £'000
Loss for the year		**(1,287)**	(5,777)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations	23	**(148)**	184
Other comprehensive loss		**(1,435)**	(5,593)
Total comprehensive loss attributable to owners of the parent company		**(1,435)**	(5,593)

The notes from pages 36 to 69 form part of the financial statements.

7digital Group plc

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2020

	Notes	2020 £'000	As restated 2019 £'000
Assets			
Non-current assets			
Intangible assets	12	**287**	-
Property, plant and equipment	13	**97**	51
Right-of-use assets	14	**1,184**	1,321
		1,568	1,372
Current assets			
Trade and other receivables	16	**1,347**	1,631
Contract assets		**86**	255
Cash and cash equivalents		**2,839**	149
		4,272	2,035
Total assets		**5,840**	3,407
Current liabilities			
Trade and other payables	17	**(5,754)**	(6,974)
Derivative liability	18	**(71)**	(61)
Contract liabilities		**(164)**	(335)
Lease liability	14	**(670)**	(472)
Provisions for liabilities and charges	20	**(858)**	(768)
		(7,517)	(8,610)
Net current liabilities		**(3,245)**	(6,575)
Non-current liabilities			
Other payables	17	**-**	(676)
Loans and borrowings	19	**(250)**	-
Contract liabilities		**(8)**	(7)
Lease liability	14	**(660)**	(1,186)
Provisions for liabilities and charges	20	**(109)**	-
		(1,027)	(1,869)
Total liabilities		**(8,544)**	(10,479)
Net liabilities		**(2,704)**	(7,072)
Equity			
Share capital	22	**14,844**	14,817
Share premium account	22	**17,705**	12,043
Other reserves	23	**(3,899)**	(2,906)
Retained earnings		**(31,354)**	(31,026)
Total deficit		**(2,704)**	(7,072)

The financial statements were approved by the Board and authorised for issue on 29 June 2021 and are signed on its behalf by:

Paul Langworthy, Director
The notes from pages 36 to 69 form part of the financial statements.

7digital Group plc

CONSOLIDATED CASHFLOW STATEMENT
Year ended 31 December 2020

	Notes	Year to 31 Dec 2020 £'000	As restated Year to 31 Dec 2019 £'000
Loss for the year		**(1,287)**	(5,777)
Adjustments for:			
Taxation	10	**(1)**	(100)
Finance Cost	9	**136**	172
Profit on sale of fixed assets	14	**(378)**	(125)
Profit on disposal of subsidiary undertaking	15	**(987)**	-
Foreign exchange	4	**179**	238
Amortisation of intangible assets	12	**30**	228
Amortisation of right-of-use asset	14	**291**	415
Depreciation of fixed assets	13	**52**	77
Share based payments	27	**99**	239
Increase in provisions	20	**199**	340
Decrease in accruals and deferred income		**(937)**	(1,190)
Decrease in trade and other receivables		**453**	3,896
Decrease in trade and other payables		**(116)**	(2,693)
Cash flows used in operating activities		**(2,267)**	(4,280)
Taxation	10	**1**	19
Interest expense paid	9	**(91)**	(31)
Net cash used in operating activities		**(2,357)**	(4,292)
Investing activities			
Purchase of property, plant and equipment, and intangible assets		**(415)**	-
Proceeds from sale of intangible and tangible fixed assets		**-**	1,073
Net cash generated/(used) in investing activities		**(415)**	1,073
Financing activities			
Proceeds from issuance of share capital (net)		**5,689**	3,313
Proceeds from bank loans	19	**250**	-
Principal paid on lease liabilities	14	**(149)**	(352)
Net cash generated from financing activities		**5,790**	2,961
Net decrease in cash and cash equivalents		**3,018**	(258)
Cash and cash equivalents at beginning period		**149**	461
Effect of foreign exchange rate changes		**(328)**	(54)
Cash and cash equivalents at end of year		**2,839**	149

The notes from pages 36 to 69 form part of the financial statements.

7digital Group plc

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2020

	Notes	Share capital	Share premium account	Reverse acquisition reserve	Foreign exchange translation reserve	Merger reserve	Shares to be issued	Retained earnings	Total
				(note 23)	(note 23)	(note 23)	(note 23)		
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 31 December 2019 as previously reported		14,817	12,043	(4,430)	219	959	407	(31,061)	**(7,046)**
Prior year adjustments	1	-	-	-	-	-	(61)	35	**(26)**
At 1 January 2020		14,817	12,043	(4,430)	219	959	346	(31,026)	**(7,072)**
Comprehensive income/(loss) for the year									
Loss for the year		-	-	-	-	-	-	(1,287)	**(1,287)**
Disposal of subsidiary undertaking	15	-	-	-	-	(959)	-	959	**-**
Other comprehensive income		-	-	-	(149)	-	-	-	**(149)**
Total comprehensive income/(loss) for the year		**-**	**-**	**-**	**(149)**	**(959)**	**-**	**(328)**	**(1,436)**
Contributions by and distributions to owners									
Share issued (net of costs)	22	27	5,662	-	-	-	-	-	**5,689**
Share based payments	27	-	-	-	-	-	89	-	**89**
Share warrants issued	19	-	-	-	-	-	26	-	**26**
Total contributions by and distributions to owners		**27**	**5,662**	**-**	**-**	**-**	**115**	**-**	**5,804**
At 31 December 2020		**14,844**	**17,705**	**(4,430)**	**70**	**-**	**461**	**(31,354)**	**(2,704)**

The notes from pages 36 to 69 form part of the financial statements.

7digital Group plc

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2020

	Notes	Share capital	Share premium account	Reverse acquisition reserve	Foreign exchange translation reserve	Merger reserve	Shares to be issued	Retained earnings	Total
				(note 23)	(note 23)	(note 23)	(note 23)		
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 31 December 2018		14,420	8,294	(4,430)	35	959	168	(25,526)	(6,080)
Comprehensive income/(loss) for the year									
Loss for the year – restated	1	-	-	-	-	-	-	(5,777)	(5,777)
Other comprehensive income		-	-	-	184	-	-	-	184
Total comprehensive income/(loss) for the year		-	-	-	184	-	-	(5,777)	(5,593)
Contributions by and distributions to owners									
Share issued (net of costs)	22	397	3,749	-	-	-	-	-	4,146
Share based payments – restated	27	-	-	-	-	-	178	-	178
Capital contribution		-	-	-	-	-	-	277	277
Total contributions by and distributions to owners		397	3,749	-	-	-	178	277	4,601
At 31 December 2019		14,817	12,043	(4,430)	219	959	346	(31,026)	(7,072)

The notes from pages 36 to 69 form part of the financial statements.

1. Accounting policies

General information
7digital Group plc is a public company, limited by shares and incorporated in the United Kingdom (England and Wales) under the Companies Act 2006. The address of the registered office is given on page 81.

The Group prepares its consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU. The financial statements have been prepared on the historical cost basis, except for the revaluation of financial instruments. The principal accounting policies set out below have been consistently applied to all the periods presented in these financial statements; except as stated below.

Basis of Preparation
Statutory accounts for the year ended 31 December 2020 have been delivered to the Registrar of Companies. The financial information for the year ended 31 December 2020 contained in these results has been audited.

The financial information contained in these results has been prepared using the recognition and measurement requirements of International Financial Reporting Standards (IFRSs) as adopted by the EU. The accounting policies adopted in these results have been consistently applied to all the years presented and are consistent with the policies used in the preparation of the financial statements for the year ended 31 December 2019. New standards, amendments and interpretations to existing standards, which have been adopted by the Group for the year ended 31 December 2020, have been listed below.

New standards and interpretations
New standards
New standards that have been adopted in the annual financial statements for the year ended 31 December 2020, but have not had a significant effect on the Group are:

- IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Amendment – Disclosure Initiative - Definition of Material); and
- Revisions to the Conceptual Framework for Financial Reporting.

a) New standards, interpretations and amendments not yet effective.
There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the Group has decided not to adopt early.

The following amendments are effective for the period beginning 1 January 2022:

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37);
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16);
- Annual Improvements to IFRS Standards 2018-2020 (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41); and
- References to Conceptual Framework (Amendments to IFRS 3).

In January 2020, the IASB issued amendments to IAS 1, which clarify the criteria used to determine whether liabilities are classified as current or non-current. These amendments clarify that current or non-current classification is based on whether an entity has a right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. The amendments also clarify that 'settlement' includes the transfer of cash, goods, services, or equity instruments unless the obligation to transfer equity instruments arises from a conversion feature classified as an equity instrument separately from the liability component of a compound financial instrument. The amendments were originally effective for annual reporting periods beginning on or after 1 January 2022. However, in May 2020, the effective date was deferred to annual reporting periods beginning on or after 1 January 2023.

The Group does not expect any of the standards issued by the IASB, but not yet effective, to have a material impact on the Group.

1. Accounting policies (continued)

Going concern

The Group made a loss after tax of £1,287k in the year (2019: £5,777K) and at year end had a net current liability position of £3,245k. This net current liability position is significantly improved on the 2019 position of £6,575k. The pressure on short-term working capital combined with a reliance on anticipated revenue growth, which is sensitive to factors outside the Group's control and with a risk that the Group's sales targets are not met, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. The Group's two major shareholders have confirmed their financial support for 12 months from the date of signing these financial statements to allow the Group to manage its working capital and to support growth needs as and when they fall due. On the basis the Group achieves the sales in the 2021 and 2022 forecast, the Directors are optimistic that the Group will have sufficient financing available until at least 31 June 2022. The Directors are also confident that the Group will achieve its forecast revenue for 2021 and 2022, and that it will generate a positive EBITDA in the next 12 months from the date of signing the accounts. If the forecast revenue is not achieved, the Group is confident that further cost savings can be implemented or additional financing sought, although nothing has been secured at the current date.

The stress test performed on the Group's forecast EBITDA, representing a plausible worst-case scenario, noted that there is a short-term liquidity issue over the coming three months that will be mitigated by third party financing or via the committed support from its shareholders. Beyond this period, should revenues be in line with the plausible worst-case sensitised forecast, continued support from the shareholders will be required to ensure the Group has sufficient liquidity to meet its liabilities as and when they fall due.

The Group's two major shareholders have confirmed their financial support for 12 months from the date of signing these financial statements to allow the Group to manage its working capital, taking into account the plausible worst-case scenario, and to support growth needs as and when they fall due. The Directors are satisfied that the shareholders have demonstrated their intention and means to provide this funding as and when this is required. This has been represented to the Directors in a letter of support from the two major shareholders in the Group.

COVID-19

In March 2020, the World Health Organisation declared a global pandemic due to the COVID-19 virus that has, and continues to, spread across the globe, causing different governments and countries to enforce restrictions on movement of people and international travel, and implement other precautionary measures. This has had a widespread impact economically and a number of industries have been heavily affected. Our financial results show that the Group has been resilient to the effects of COVID-19 and is now well positioned to take advantage of the improving economic conditions, driven predominantly by the successful roll out of vaccination programmes.

Conclusion

On the basis of the above assessment, the Directors consider the Group to be a going concern whilst highlighting there to be the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern for the following reasons:

- The Group requires sufficient revenue growth as included within forecasts to ensure that it is able to meet liabilities as and when they fall due without further support from the shareholders. Should this not occur, and additional funding not be available, this would cast significant doubt as to the entity's ability to continue as a going concern.
- The Group is likely to be reliant on shareholder support in the short and medium term to ensure that there is sufficient liquidity to meet its liabilities as and when they fall due, should third party financing options not materialise. Should this funding not be received, significant doubt would be cast as to the Group's ability to continue as a going concern.

The Directors are, however, confident that the shareholders will provide the required support to the Group to enable it to pay its liabilities as and when they fall due. The Directors are also confident that the Group will generate the revenue growth required to ensure no further funding is necessary to meet its liabilities as and when they fall due for a period of at least 12 months. On this basis, the Directors have prepared the financial statements on a going concern basis, whilst disclosing a material uncertainty relating to going concern in relation to shareholder funding and revenue growth being required, and these being uncertain events. As such, the financial statements do not include any adjustments should the going concern basis be inappropriate.

1. Accounting policies (continued)

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2020.

All subsidiaries are controlled by the Group and are included in the consolidated financial statements; the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-Group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.
If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships, such amounts are generally recognised in profit or loss.

Any contingent consideration payable is measured at fair value at the acquisition date, if an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

1. Accounting policies (continued)

Loss of control
When the Group loses control over a subsidiary, it de-recognises the assets and liabilities of the subsidiary, and any non-controling interests and other components of equity. Any resulting gain or loss is recognised in the profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Transactions eliminated on consolidation
Intra-Group balances and transactions, and any unrealised income and expenses arising from intra-Group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Revenue
The Group comprises of mainly three types of revenues
1) Licencing fees (also known as B2B sales)
    a. Setup Fees
    b. Monthly development and support fees
    c. Usage fees
2) Content ("download") revenues (also know as B2C sales)
3) Creative revenues

Each type of revenue is detailed below

Revenue comprises of:

I. Licensing revenues
7digital defines licensing revenues as fees earned both for access to the Group's platform and for development work on that platform in order to adapt functions to customer needs. The Board considers that the provision of Technology Licensing Services comprises three separately identifiable components:

The description of the licence fees compromise three categories;
1. ***Set-up fees :*** Set up fees which grant initial access to the platform, allow use of our catalogue and associated metadata and mark the start of work to define a client's exact requirements and create the detailed specifications of a service. Recognition of set-up fees is detailed below.
2. ***Monthly development and support fees*** which cover the costs of developer and customer support time. These are usually fixed and are paid monthly once a service has been specified in detail; they are calculated at commercial rates based on the number of developer or support days required. Recognition of these fees is detailed below.
3. ***Usage fees*** which cover certain variable costs like bandwidth which can be re-charged to clients with an administrative margin are recognised at point in time based on usage.

II. Content ("download") revenues
Content revenues are recognised at the value of services supplied and on delivery of the content. The Group manages several content stores, and the income is recognised in the month it relates to. Majority of the revenue converts directly to cash; any accrued revenue converts to trade receivables within 30days.

III. Creative revenues
Creative revenues relate to the sale of programmes and other content. 7digital also undertakes bespoke radio programming for its customers. As the programmes are being created the associated revenue is recognised when the programme is delivered and accepted by the client. These mainly include the production of weekly radio programmes, as well as the one-off production of episodes.

In case of one-off productions which required the Group to provide progress reports to its customers and where the Group has no alternative use of the program produced, the Group recognises revenue over the period i.e., based on percentage of completion, for the rest of the regular programs and contents, where the Group does not own the IP, the Group measures the revenue based on delivery of the content i.e., at a point in time.

1. Accounting policies (continued)

Contracts with multiple performance obligations
Many of the Group's contracts include a variety of performance obligations, including Licencing revenue (set-up fees, monthly revenue for using 7digital's API licence platform and usage fees), however these may not be distinct in nature. Under IFRS 15, the Group evaluates the segregation of the agreed goods or services based on whether they are 'distinct', if both the customer benefits from them either on its own or together with other readily available resources, and it is 'separately identifiable' within the contract.

To determine whether to recognise revenue, the Group follows a 5-step process:

- Identifying the contract with customers
- Identifying the performance obligations
- Determining the transaction price
- Allocating the transaction price to the performance obligations
- Recognising revenue when/ as performance obligations are satisfied

Performance Obligations and timing of revenue recognition
Revenue generated from B2B customer contracts often identify separate goods/services, with these generally being the access of the API license platform, and the associated monthly licence maintenance fees and content usage fees.

The list of obligations as per the contract that are deemed to be one performance obligation in case of licencing revenue are (B2B):

- The licenses provide access to the 7D platform
- The development and support fees which cover the costs of developer and customer support time
- Usage fees which cover certain variable costs like bandwidth and content

A key consideration is whether licencing fees give the customer the right to use the API Licence as it exists when the licence is granted, or access to API which will, amongst other considerations, be significantly updated during the API licence period.

The Group grants the customer a limited, revocable, non-exclusive and non-transferable licence in the Territory during the Term, to use the 7digital API and the content to enable the provision of the Music Service to the End Users via Application.

Set-up fees represent an obligation under the contract, which is not a distinct performance obligation, as the customer is not able to access the platform without them. These are therefore spread over the period of the contract agreed initially with the customers.

Monthly licence maintenance fees indicate service contracts that provide ongoing support over a period of time. Revenue is recognised over the term of the contract on a straight-line basis.

In the case of Creative Revenue, the sole performance obligation is to deliver the content specified as per contract, whether this be the delivery of regular content throughout the year (e.g., a radio series), or the production of a longer, one-off episode.

The only obligation for the Group is to deliver the content production agreed in the contract. Control and risks are passed to the customer on delivery of the episode produced, news bulletins etc. The right to the IP varies from project to project. If the customer suggests a specific programme idea to tender, they will then own the underlying rights of the recordings and the IPR is exclusive to customer; 7digital's only performance obligation would be to produce the content.

In the case of one-off productions for an identifiable customer contract where 7digital is required to update the client on the progress of work completed, the Group applies an output method to determine the stage of completion and amount of revenue to recognise.

1. Accounting policies (continued)

Payment terms vary depending on the specific product or service purchased. With licence fees, the set-up fees element is invoiced and paid upfront, while monthly maintenance revenues and usage fees are normally invoiced on a monthly basis. In the case of download sales, the cost is paid immediately by the customer upon download of the music/songs content from the 7digital platform. In the case of creative revenues, the payment terms are generally 50% on signing with the balance on delivery. All contracts are subject to these standard payment terms, to the extent that the parties involved expressly agree in writing that the conflicting terms of any agreement shall take precedence.

In the case of fixed-price contracts, the customer pays the fixed amount based on a monthly schedule. If the services rendered by the Group exceed the payment, a contract asset (Accrued Income) is recognised; if the payments exceed the services rendered, a contract liability (Deferred Revenue) is recognised.

Determine transaction price and allocating to each performance obligation
The transaction price for licencing fees (set-up fees and monthly licence fee) is fixed as per contract and is explicitly noted in the contract. In the case of usage fees, the per gigabyte fee is determined and agreed in the contract. In the case of creative revenue, the transaction fees for radio services and one-off series are determined by taking into account the length of the production (this may vary for commercials, radio programs, tv shows, series, etc.). Any variations in transaction price are agreed and charged additionally depending on the obligations to be performed. None of the five factors (i.e., variable consideration, constraining estimates of variable consideration, the existence of a significant financing component in the contract, non-cash consideration, and consideration payable to a customer identified) are particularly relevant to 7digital's customer contracts. The transaction price included in 7digital's contracts is generally easily identifiable and is for cash consideration.

Other adjusting items
Other adjusting items are those items the Group considers to be non-recurring or material in nature that should be brought to the readers' attention in understanding the Group's financial statements. Other adjusting items consist of one-off acquisition costs, costs related to non-recurring legal and statutory events, restructuring costs and other items which are not expected to re-occur in future years.

Foreign currency
For the purpose of the consolidated financial statements, the results and financial position of each Group company are expressed in Pounds Sterling, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items and on the retranslation of monetary items, are included in profit and loss for the year.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average monthly rate of exchange ruling at the date of the transaction, unless exchange rates fluctuate significantly during that month, in which case the exchange rates at the date of transactions are used.

Intangible assets
Externally acquired intangible assets are initially recognised at cost and subsequently amortised on a straight-line basis over their useful economic lives. Intangible assets are recognised on business combinations if they are separable from the acquired entity or give rise to contractual/legal rights. The amounts ascribed to such intangibles are arrived at by using appropriate valuation techniques.

Intangible assets (Bespoke Applications) arising from the internal development phase of projects is recognised if, and only if, all of the following have been demonstrated:

1. Accounting policies (continued)

- The technical feasibility of completing the intangible asset so that it will be available for use or sale
- The intention to complete the intangible asset and use or sell it
- The ability to use or sell the intangible asset
- How the intangible asset will generate probable future economic benefits
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset
- The ability to measure reliably the expenditure attributable to the intangible asset during its development

The amount initially recognised for internally generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

Internally generated intangible assets are amortised over their useful economic lives on a straight-line basis, over 3 years.

Property, plant and equipment
Items of property, plant and equipment are initially recognised at cost. As well as the purchased price, cost includes directly attributable costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognised within provisions.

Depreciation is provision on all items of property, plant and equipment, so as to write off their carrying value over their expected useful economic lives. It is provided at the following rates:

Property	- 20% per annum straight line
Computer equipment	- 33.33% per annum straight line
Fixtures and fittings	- 33.33% per annum straight line

Impairment of tangible and other intangible assets
Impairment tests on goodwill and other intangible assets with indefinite useful economic lives are undertaken annually at the financial year end. Other non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount (i.e. the higher of value in use and fair value less costs to sell), the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the smallest group of assets to which it belongs for which there are separately identifiable cash flows; its cash generating units ('CGUs'). Goodwill is allocated on initial recognition to each of the Group's CGUs that are expected to benefit from a business combination that gives rise to the goodwill.

Impairment charges are included in profit or loss, except to the extent they reverse gains previously recognised in other comprehensive income. An impairment loss recognised for goodwill is not reversed.

Cash and cash equivalent
Cash and cash equivalents comprise cash on hand and demand deposits and other short-term, highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Government grants
Government grants, including research and development and CJRS income and Furlough credits are recognised when it is reasonable to expect that the grants will be received and that all related conditions will be met, usually on submission of a valid claim for payment. Grants of a revenue nature are credited to income so as to match them with the expenditure to which they relate.

Financial instruments
Financial assets and financial liabilities are recognised when a Company becomes a party to the contractual provisions of the instruments.

1. Accounting policies (continued)

Initial Recognition:
Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss and ancillary costs related to borrowings) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.
Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are charged to the Statement of Profit and Loss over the tenure of the financial assets or financial liabilities.

Classification and Subsequent Measurement: Financial Assets
The Group classifies financial assets as subsequently measured at amortised cost, Fair Value through Other Comprehensive Income ("FVOCI") or Fair Value through Profit or Loss ("FVTPL") on the basis of following:
• the entity's business model for managing the financial assets and
• the contractual cash flow characteristics of the financial asset.

Amortised Cost:
A financial asset shall be classified and measured at amortised cost if both of the following conditions are met:
• the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and
• the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

In case of financial assets classified and measured at amortised cost, any interest income, foreign exchange gains or losses and impairment are recognised in the Statement of Profit and Loss.

Fair Value through OCI:
A financial asset shall be classified and measured at fair value through OCI if both of the following conditions are met:
• the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and

• the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Fair Value through Profit or Loss:
A financial asset shall be classified and measured at fair value through profit or loss unless it is measured at amortised cost or at fair value through OCI.
All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.
For financial assets at FVTPL, net gains or losses, including any interest or dividend income, are recognised in the Statement of Profit and Loss.

Classification and Subsequent Measurement: Financial liabilities
Financial liabilities are classified as either financial liabilities at FVTPL or 'other financial liabilities'.

Financial Liabilities at FVTPL:
Financial liabilities are classified as at FVTPL when the financial liability is held for trading or is a derivative (except for effective hedge) or are designated upon initial recognition as FVTPL.

Gains or Losses, including any interest expense on liabilities held for trading, are recognised in the Statement of Profit and Loss.

Other Financial Liabilities:
Other financial liabilities (including borrowings and trade and other payables) are subsequently measured at amortised cost using the effective interest method.

1. Accounting policies (continued)

The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost on initial recognition.

Interest expense (based on the effective interest method), foreign exchange gains and losses, and any gain or loss on derecognition is recognised in the Statement of Profit and Loss.

Impairment of financial assets:
Expected credit losses are recognized for all financial assets subsequent to initial recognition other than financial assets in FVTPL category. For financial assets other than trade receivables, as per IFRS 9, the Group recognises 12 month expected credit losses for all originated or acquired financial assets if at the reporting date the credit risk of the financial asset has not increased significantly since its initial recognition. The expected credit losses are measured as lifetime expected credit losses if the credit risk on financial asset increases significantly since its initial recognition.

Impairment provisions for trade receivables are recognised based on the simplified approach within IFRS 9 using the lifetime expected credit losses. During this process, the probability of the non-payment of the trade receivables is assessed. Thus, probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised within cost of sales in the consolidated statement of comprehensive Income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

The impairment losses and reversals are recognised in Statement of Profit and Loss.

De-recognition of financial assets and financial liabilities:
The Group de-recognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises an associated liability for amounts it has to pay.

On de-recognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in OCI and accumulated in equity is recognised in the Statement of Profit and Loss.

The Group de-recognises financial liabilities when and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability de-recognised and the consideration paid and payable is recognised in the Statement of Profit and Loss.

Financial liabilities and equity instruments:
• Classification as debt or equity
Debt and equity instruments issued by the Group are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.
• Equity instruments
An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a Group are recognised at the proceeds received.

Derivative financial instruments:
The Group enters into derivative financial instruments viz. a residual of the convertible loan instrument. The Group does not hold derivative financial instruments for speculative purposes. Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately.

1. Accounting policies (continued)

Fair value measurement
A number of assets and liabilities included in the Group's financial statements require measurement at, and/or disclosure of, fair value.

The fair value measurement of the Group's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the 'fair value hierarchy'):

- Level 1: Quoted prices in active markets for identical items (unadjusted)
- Level 2: Observable direct or indirect inputs other than Level 1 inputs and
- Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

Share-based payments
The fair value determined at the grant date is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest. Fair value is measured by use of an appropriate valuation model. The Black-Scholes option pricing model has been used to value the share options plans.

Taxation
The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a charge attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

The deferred tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates taxable income.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements and on unused tax losses or tax credits in the company. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

The carrying amount of deferred tax assets are reviewed at each reporting date. Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised.

Leases
All leases are accounted for by recognising a right-of-use asset and a lease liability except for:
• Leases of low value assets; and
• Leases with a duration of 12 months or less.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease.

On initial recognition, the carrying value of the lease liability also includes:
• amounts expected to be payable under any residual value guarantee;
• the exercise price of any purchase option granted in favour of the Group if it is reasonably certain to assess that option; and
• any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

1. Accounting policies (continued)

Right-of-use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:
• lease payments made at or before commencement of the lease;
• initial direct costs incurred; and
• the amount of any provision recognised where the Group is contractually required to dismantle, remove or restore the leased asset.

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease.

Critical accounting judgements and key areas of estimation uncertainty
In the application of the Group accounting policies, which are described above, 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. Revisions to accounting estimates are recognised in the period which the estimate is revised if the revisions affect only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Content cost of sales
Previously, the content cost of sales had been estimated with reference to the average cost per contract being applied to sales. This was considered to be the most effective method by which to make the estimate as the Group operated across a number of platforms. Whilst the accounting policy is unchanged and management continue to estimate content accruals at each period end, the method of estimating the content accrual was updated from March 2019. Since March 2019, the Group operate only on one platform which has the ability to analyse the usage reports derived from download sales and which are distributed to the labels on a monthly basis and publishers on a quarterly basis. These usage reports assist management in calculating content cost of sales and content accruals. Management considers the usage reports to be the most effective method of determining the true cost of content. As at 31 December 2020, the content accrual includes £114K based on the old method for accruals relating to pre-March 2019, whilst the majority of the accrual (£818K) is estimated using the new method. Historic invoicing data was used to calculate the release of accruals relating to pre-March 2019. Using data usage reports, historical invoicing patterns and supplier confirmations, management have taken the decision to release £500k of historic accruals as at 31 December 2020.

Creative revenue
Management considers the detailed criteria for the recognition of creative revenue as set out in the Group's accounting policy, in particular whether the Group determines the appropriate apportionment of revenue to the correct accounting period and subsequent amount accrued or deferred at the year end.

Impairment of accounts receivables
The management and directors have made certain estimates and judgements in the application of IFRS 9 when measuring expected credit losses and the assessment of expected credit loss provisions required for accounts receivable balances. (see note 16).

Capitalisation of internally developed software
Distinguishing the research and development phases of a new customised software project and determining whether the recognition requirements for the capitalisation of development costs are met, requires judgement. After capitalisation, management monitors whether the recognition requirements continue to be met and whether there are any indicators that capitalised costs may be impaired.

1. Accounting policies (continued)

Correction of prior period errors

The directors have determined that there was an over accrual of payroll taxes in the Company of £35k at 31 December 2019. The directors also identified the mis-analysis of £61k that was included in equity as shares to be issued but, given the non fixed element, should have been disclosed as derivative liabilty. A summary of the prior period adjustments is set out in the table below:

	2019 as previously reported	Increase/ (decrease)	2019
Non-current assets	1,372		1,372
Current assets	2,035		2,035
Trade and other payables	(7,009)	35	(6,974)
Derivative liability	-	(61)	(61)
Contract liabilities	(335)		(335)
Lease liability	(472)		(472)
Provisions for liabilities and charges	(768)		(768)
Non-current liabilities	(1,869)		(1,869)
	(7,046)	(26)	(7,072)
Retained profit	(31,061)	35	(31,026)
Other equity	24,015	(61)	23,954
	(7,046)	(26)	(7,072)

In addition, the Directors determined that the research & development tax credits of £103k, previously included in 2019 other income in error, should be reanalysed to taxation on continuing operations.

2. Revenue

2.1 Revenue from contracts with customer

The Group has disaggregated revenue into various categories in the following table which is intended to:

- depict how the nature, amount, timing and uncertainity of revenue and cash flows are affected by economic data; and
- enable users to understand the relationship with revenue segments information provided in 2.2 below

	Licensing		Content		Creative		Total	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000	**£'000**	£'000	**£'000**	£'000
Primary Geographical Markets								
UK	**671**	807	**382**	621	**917**	1,549	**1,970**	2,977
USA	**1,513**	2,198	**683**	592	**-**	-	**2,196**	2,790
Germany	**216**	1,397	**103**	117	**-**	-	**319**	1,514
Other	**955**	939	**917**	1,060	**156**	23	**2,028**	2,022
	3,355	5,341	**2,085**	2,390	**1,073**	1,572	**6,513**	9,303
Product Type								
Set-up fees	**306**	528	-	**-**	**-**	-	**306**	528
Monthly service fees and usage fee	**3,049**	4,813	**-**	**-**	**-**	-	**3,049**	4,813
Production	**-**	-	**-**	**-**	**1,073**	1,572	**1,073**	1,572
Download/streaming	**-**	-	**2,085**	2,390	**-**	-	**2,085**	2,390
	3,355	5,341	**2,085**	2,390	**1,073**	1,572	**6,513**	9,303
Contract Counterparties								
Direct to consumer (online)	**-**	-	**2,085**	2,390	**-**	-	**2,085**	2,390
B2B	**3,355**	5,341	**-**	-	**1,073**	1,572	**4,428**	6,913
	3,355	5,341	**2,085**	2,390	**1,073**	1,572	**6,513**	9,303
Timing of transfer of goods and services								
Over time	**3,355**	5,341	**-**	-	**127**	-	**3,482**	5,341
Point in Time (on delivery)	**-**	-	**2,085**	2,390	**946**	1,572	**3,031**	3,962
	3,355	5,341	**2,085**	2,390	**1,073**	1,572	**6,513**	9,303

2. Revenue (continued)

2.1 Revenue from contracts with customer (continued)

	Contract Assets 2020 £'000	Contract Assets 2019 £'000	**Contract Liabilities 2020 £'000**	Contract Liabilities 2019 £'000
Contract balances				
At 1 January	**255**	458	**(342)**	(1,289)
Transfers in the period from the contract assets to trade receivables	**(255)**	(441)	**-**	-
Amounts included in contract liabilities that were recognised as revenue during the period	**-**	-	**335**	1,174
Excess of revenue recognised over cash (or rights to cash) being recognised during the period	**86**	238	**-**	-
Cash received in advance of performance and not recognised as revenue during the period	**-**	-	**(165)**	(227)
At 31 December	**86**	255	**(172)**	(342)

The aggregate amount of the transaction price of the remaining performance obligations amounting to £164k (2019: £335k) are all expected to be released within the next 12 months; £8k (2019: £7k) released in the following year.

2. Revenue (continued)

2.2 Business segments

For management purposes, the Group is organised into three continuing operating divisions – Licensing, Content and Creative. The principal activity of Licensing is the creation of software solutions for managing and delivering digital content. The principal activity of the Content division is the sales of digital music direct to consumers. 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.

	Licensing		Content		Creative		Total	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	As restated 2019
	£'000	£'000	**£'000**	£'000	**£'000**	£'000	**£'000**	£'000
Revenue from external customers	**3,355**	5,341	**2,085**	2,390	**1,073**	1,572	**6,513**	9,303
Segment's result (gross profit)	**3,151**	4,993	**828**	469	**653**	835	**4,632**	6,297
Depreciation	**(28)**	(50)	**(16)**	(22)	**(8)**	(5)	**(52)**	(77)
Amortisation	**(30)**	(228)	**-**	-	**-**	-	**(30)**	(228)
Other adjusted cost (see note 3)	**-**	(162)	**-**	-	**-**	-	**-**	(162)
Settlement income included in Other Income	**135**	1,000	**-**	-	**-**	-	**135**	1,000
Segment profit/(loss)	**3,228**	5,553	**812**	447	**645**	830	**4,685**	6,830
Remainder of other income							**509**	-
Amortisation of right to use asset							**(291)**	(415)
Corporate expenses							**(7,042)**	(12,120)
Financing costs							**(136)**	(172)
Tax charge							**1**	100
Discontinued operations							**987**	-
Loss for the year							**(1,287)**	(5,777)
Other segment items:							**£'000**	£'000
Capital additions							**415**	-

2. Revenue (continued)

Revenue from the Group's largest customer in the year was just over £0.4m (2019: £1.0m) and revenue from the second largest customer in the year was just under £0.4m (2019: £0.5m). There were 3 (2019: zero) other customers that formed greater than 10% of external revenues within the year.

2.3 Geographical information

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

	Revenue		Non-current assets	
	2020	2019	**2020**	2019
Continuing Operations	**£'000**	£'000	**£'000**	£'000
United Kingdom	**1,970**	2,977	**1,568**	**1,372**
United States of America	**2,196**	2,790	**-**	**-**
Germany	**318**	1,514	**-**	**-**
Rest of Europe	**1,329**	1,401	**-**	**-**
Rest of World	**700**	621	**-**	**-**
	6,513	9,303	**1,568**	1,372

All revenues are derived from the provision of services.

3. Other adjusting items

	2020	2019
	£'000	£'000
Exceptional legal fees (i)	**(297)**	(464)
Corporate restructuring releases/(provision) (ii)	**(145)**	(694)
Provisions relating to closure of Denmark business (iii)	**262**	(254)
Legal provision (iv)	**(285)**	(228)
Licensing development costs expensed on legacy Denmark platform (v)	**-**	(162)
	(465)	(1,802)

(i) In 2020 the Group incurred legal fees in relation to funding of £104k (2019: £264k), unsuccessful M&A activity £120k (2019: £nil) and litigation fees £73k (2019: £nil). 2019 also included legal fees relating to planning for supposed insolvency £120k and finalisation of the settlement agreement with Media-Saturn-Holding £80k.

(ii) During 2020, the Group incurred costs of £145k for employee redundancies; during 2019 the Group incurred costs of £649k to former directors on garden leave and for employee redundancies, all these cost related to organisational restructuring.

(iii) In May 2019 the Group sold select technology from the Parent Company and its Denmark subsidiary, 24 -7 Entertainment ApS, and transferred staff to TDC Group, a large telecommunications company based in Denmark. In 2019, a provision of £254k had been made for the closing down of the Danish operations. At the end of 2020 the directors no longer considered an outflow or resources to be probable and the provision was released. Post year end, on 14 April 2021, the Danish entity, 24 -7 Entertainment ApS, was dissolved.

3. Other adjusting items (continued)

(iv) During 2018 a civil action was brought by a former US customer against the Parent Company for failure to deliver services specified in their Term Sheet. The breach of contract claim is for: i) consequential damages for loss of future profits in an amount to be determined at trial; ii) compensatory damages including but not limited to the contract amount of USD200k; iii) punitive damages in an amount to be determined by a jury; iv) attorney's fees, costs, and expenses; and (v) pre-and post-judgment interest. At 31 December 2020, the provision made in 2019 of £228k was increased by a further £285k. In May 2021, the parties reached a settlement agreement in principle upon confidential terms which is in the process of being executed.

(v) During the normal course of business the Group would have capitalised £162k in 2019 in respect of development costs associated with the Denmark platform, which was sold in 2019.

£503k (2019: £1,582k) of the other adjusting items for the year ended 31 December 2020 are deductible for corporation tax purposes.

4. Operating loss for the year

Operating loss for the year has been arrived at after charging:

	2020	2019
	£'000	£'000
Net foreign exchange loss	**179**	238
Amortisation of intangible assets	**30**	228
Amortisation of right to use asset (see note 14)	**291**	415
Depreciation of property, plant & equipment	**52**	77
Profit on sale of right-of-use asset (see note 14)	**(378)**	(125)
Share-based payment expense (see note 27)	**99**	239

5. Other operating income

	2020	As restated 2019
	£'000	£'000
Settlement income relating to customers contracts	**135**	1,000
Profit on sale of right-of-use asset (see note 14)	**378**	-
Furlough monies received from HMRC	**131**	-
	644	1,000

6. Reconciliation of non-IFRS financial KPIs

This note reconciles the adjusted operating loss to the adjusted EBITDA loss. This note reconciles these key performance indicators to individual lines in the financial statements. In the Directors' view it is important to consider the underlying performance of the business during the year. Therefore, the directors have used certain alternative performance measures (AMPs) which are not IFRS compliant metrics. The main effect has been that the APMs exclude other adjusting items, amortisation, foreign exchange, depreciation and share based payments to reflect the underlying cash utilisation for the performance of the business. The APMs are consistent with those established within the prior year annual report and their derivation is set out in the table below.

6. Reconciliation of non-IFRS financial KPIs (continued)

Reconciliation of adjusted operating loss and adjusted EBITDA loss:

	2020	As restated 2019
	£'000	£'000
Statutory operating loss	**(2,139)**	(5,705)
Other adjusting items (see note 3)	**465**	1,802
Foreign exchange	**179**	238
Share-based payment expense (see note 27)	**99**	239
Adjusted operating loss - per statutory	**(1,396)**	(3,426)
Profit on sale of right-of-use asset (see note 14)	**(378)**	(125)
Depreciation and amortisation	**373**	720
Adjusted EBITDA loss	**(1,401)**	(2,831)

7. Auditor's remuneration

	2020	2019
	£'000	£'000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	**105**	120
Fees payable to the Company's auditor for other services to the Group		
The audit of the Company's subsidiaries pursuant to legislation	**-**	-
Total audit fees	**105**	120
Non-audit fees:		
Other services	**-**	-
Total non-audit fees	**-**	-
Total fees payable to Company's auditor	**105**	120

A description of the work of the Audit Committee is set out in the Corporate Governance Statement and includes an explanation of how auditor's objectivity is safeguarded when non-audit services are provided by the auditor.

8. Staff costs

The average monthly number of persons employed by the Group during the year, including executive directors, was 58 (2019: 81). Staff costs in the Group are presented in administrative expenses.

	2020	2019
	No.	No.
Number of production, R&D, and sales staff	**48**	65
Number of management and administrative staff	**10**	16
	58	81

	2020	2019
	£'000	£'000
Wages and salaries	**3,673**	4,659
Redundancy payments	**132**	259
Social security costs	**417**	573
Other pension costs	**119**	159
Share-based payments (note 27)	**99**	239
	4,440	5,889

Details of the directors' remuneration are provided in the Directors Remuneration Report on pages 21 to 22.

9. Finance cost

	2020	2019
	£'000	£'000
Shareholders' interest payable	**-**	(7)
Other charges similar to interest	**(91)**	(17)
Interest expenses on leased liability (see note 14)	**(45)**	(148)
	(136)	(172)

10. Tax

Corporation tax is calculated at 19% (2019: 19%) of the estimated assessable profit for the year.

	2020	As restated 2019
	£'000	£'000
Current tax		
UK corporation tax on the results for the year	-	-
Foreign taxation	(1)	3
Research & development tax credits	-	(103)
Total current tax credit	(1)	(100)
Deferred tax		
Origination and reversal of timing differences	-	-
Adjustments in respect of prior periods	-	-
Total deferred tax charge/(credit)	-	-
Tax on loss on ordinary activities	(1)	(100)

The charge for the year can be reconciled to the profit per statement of comprehensive income as follows:

Loss before tax	(2,275)	(5,777)
Tax at UK corporation tax rate of 19% (2019: 19%)	(432)	(1,098)
Fixed asset differences	-	-
Expenses not deductible for tax purposes	32	136
Income not taxable for tax purposes	(281)	(30)
Additional deduction for R&D expenditure	-	(137)
Adjustments to R&D in respect of previous periods	-	22
Adjustments to tax charge in respect of previous periods	12	-
Adjustments to tax charge in respect of previous periods - deferred tax	36	(40)
Remeasurement of deferred tax charged in tax rates	(678)	-
Deferred tax not recognised	1,304	979
Foreign taxation	(1)	3
Difference in tax rates	-	(8)
Tax credit receivable	-	79
Other	7	(6)
Tax credit	(1)	(100)

At the balance sheet date, the Group has unrecognised deferred tax assets of £7,101,109 (2019: £5,880,728) which has been calculated at a rate of 19% (2019: 17%) of unused trading tax losses; this has not been recognised on the grounds that there is insufficient evidence that these assets will be recoverable. These assets will be recovered when future tax charges are sufficient to absorb these tax benefits.

11. 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. Total potential ordinary shares which are outstanding at 31 December 2020 are 12,134,155 (2019: 19,059,858) which relate to the employee share options and shares to be issued to the non-executive directors under the terms of their service contracts (see Directors' Report, Directors' Remuneration Report and note 27).

Reconciliation of the profit and weighted average number of shares used in the calculation are set out below:

	31-Dec-20		
	Loss/(profit)	**Weighted average number of shares**	**Per share amount**
Basic and Diluted EPS	**£'000**	**Thousand**	**Pence**
Loss attributable to shareholders - continuing operations:	**(2,274)**	**2,542,122**	**(0.09)**
Profit attributable to shareholders - discontinued operations:	**987**	**2,542,122**	**0.04**
Loss attributable to shareholders:	**(1,287)**	**2,542,122**	**(0.05)**

	31-Dec-19		
	Loss - restated	**Weighted average number of shares**	**Per share amount - restated**
Basic and Diluted EPS	**£'000**	**Thousand**	**Pence**
Loss attributable to shareholders:	**(5,777)**	**1,244,214**	**(0.46)**

12. Intangibles

	Bespoke applications £'000
Cost	
At 1 January 2019	9,018
Disposals	(5,813)
At 31 December 2019	3,205
Additions	317
At 31 December 2020	**3,522**
Amortisation	
At 1 January 2019	7,843
Charge for the year	228
Disposals	(4,866)
At 31 December 2019	3,205
Charge for year	30
At 31 December 2020	**3,235**
Net book value	
At 31 December 2020	**287**
At 31 December 2019	-
At 31 December 2018	1,175
Useful lives	3-5 years

Additions relate to internally developed software relating to the 7digital platform. Amortisation charges are included within the administrative expenses within the Income Statement. The useful life of each group of intangible assets varies according to the underlying length of benefit expected to be received.

Impairment testing of bespoke applications

The Group tests intangibles annually for impairment, or more frequently if there are indications that the assets might be impaired. During 2020, the equity fundraising has enabled the Group to enhance and develop the platform; management are of the opinion that the internal costs associated with certain identifiable development projects of £317k can be capitalised and amortised from the time that the project is deemed "live". As at December 2019, the bespoke applications of 7digital Limited had been fully impaired.

Management considered the carrying value of the platform at 31 December 2020 in 7digital Limited based on value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, future cash flows and growth rates during the period. Future cash flows of the Group were based on forecasts determined at year end, extrapolated over five years and based on existing contracts at that time, along with the expectation of new opportunities. Costs were significantly reduced reflecting the shrinking cost base and continuing restructuring to align costs and revenue. A pre-tax discount rate was applied of 6.1%, reflecting current market assessment of the time value of money and the risks specific to the CGU was applied. The review indicated no impairment was required.

13. Property, plant and equipment

	Computer equipment & capitalised software £'000
Cost	
At 1 January 2019	1,977
Disposals	(443)
At 31 December 2019	1,534
Additions	98
Disposals	(1,396)
At 31 December 2020	**1,632**
Amortisation	
At 1 January 2019	1,849
Charge for the year	77
Disposals	(443)
At 31 December 2019	1,483
Charge for year	52
Disposals	(1,396)
At 31 December 2020	**1,535**
Net book value	
At 31 December 2020	**97**
At 31 December 2019	51
At 31 December 2018	128

2020 disposals relate to obsolete assets that were identified prior to exiting the old premises (see note 14) and disposed of in Q1 2020 for zero cash.

14. Leases

The Group leased a property that originally ran until April 2023. In February 2020, on agreement with the landlord, the lease was terminated, and the Group vacated the premises. At 29 February 2020, a profit on sale of £378k was recorded in relation to this lease, being the difference between the net book value and lease liability on that date.

On 1 July 2020, the Group entered into a new lease that would run until August 2023. After the year end this lease has subsequently been renegotiated to end in November 2023 with an agreed rent reduction (see note 28).

Right-of-use assets	**Land and buildings**
	£'000
At 1 January 2020	1,321
Disposal	(1,252)
Addition	824
Amortisation	291
At 31 December 2020	**1,184**

Lease liability	**Land and buildings**
	£'000
At 1 January 2020	1,658
Disposal	(1,630)
Addition	1,406
Interest expense	45
Lease payments	(149)
At 31 December 2020	**1,330**
Analysed:	
Current	670
Non-current	660
Total	**1,330**

15. Discontinued operations

On 16 September 2020, 7digital France SAS, a subsidiary was placed into liquidation.

Financial performance and cash flow information
The income statement is restated to present the discontinued operations.

	2020	2019
Revenue	**-**	-
Expenses	**-**	-
Profit before income tax	**-**	-
Gain on sale of subsidiary after income tax	**987**	-
Profit from discontinued operations	**987**	0

On 16 September 2020, the 7digital France SAS had €1,274k/£987k of liabilities no longer payable of which €1,147k related to the liabilities acquired when 7digital France SAS was bought by the Group in 2016 (see note 17). Subsequently, £987k has been transferred to profit and loss as profit and loss on disposal of subsidiary. There was no effect on Group cash or consideration received relating to liquidation of this subsidiary. There were no other material balances included in the Group's Consolidated Income Statement for the year ended 31 December 2020 (2019: £nil) relating to the discontinued operations.

A merger reserve of £959k, which was created on acquisition of the French entity in 2016, was reanalysed to retained earnings.

16. Trade and other receivables

	2020	2019
	£'000	£'000
Trade receivable for the sale of goods	**1,890**	1,851
Less: Provision for impairment of trade receivables	**(897)**	(1,014)
Net trade receivables	**993**	837
Other debtors	**163**	382
R&D credits receivable	**79**	412
Total financial assets at amortised cost (excluding cash & cash equivalents)	**1,235**	1,631
Prepayments	**112**	-
Total trade and other receivables	**1,347**	1,631
Less: non-current portion - other debtors	**(80)**	-
Current portion	**1,267**	1,631

The average credit period taken on sales of goods and services is 55 days (2019: 33 days). No interest is charged on receivables. Trade receivables are provided for based on estimated irrecoverable amounts from the sale of goods and services, determined by reference to past default experience and likelihood of recovery as assessed by the directors. Before accepting any new material customer, the Group uses an external credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. The directors believe that the trade receivables that are past due but not impaired are of a good credit quality. The Group adopts a policy that each new customer is analysed individually for credit worthiness before the Group's standard payment and delivery terms and conditions are offered.

16. Trade and other receivables (continued)

The management assessed the requirement for a general bad debt provision under IFRS 9. The expected loss rates are based on the combination of the Group's historical credit losses experienced over the three-year period prior to the period end coupled with forward looking information. Management also note that the Group generally has a consistent recovery rate on trade and other receivables, due to a significant amount of work being completed for reputable businesses. However, Management does note that dealings with smaller businesses can be difficult at times to recover funds owed and as such, provisions have been raised based on historic knowledge of each client's credit risk. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Included in the Group's trade receivable balance are debtors with a carrying amount of £0.3m (2019: £0.3m), which are past due at the reporting date for which the Group has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances, however the £0.3m (2019: £0.2m) of the balance is with eMusic (a subsidiary of TriPlay Inc.), a related party (see note 26) and for which the Group has negotiated a payment plan post year-end. The average age of these receivables is 117 days (2019: 97 days). During the year, the Group provided for certain accounts receivable balances relating to revenue recognised during 2020, where the collection of the outstanding amounts is uncertain.

As at 31 December 2020 the lifetime expected loss provision for trade receivables is:

	Current	**More than 30 days past due**	**More than 60 days past due**	**More than 120 days past due**	**Total £'000**
Expected loss rate	1%	5%	29%	67%	
Gross carrying amount	379	103	155	1,253	1,890
Loss provision	5	5	45	842	897

Customers that represent more than 5% of the total balance of trade receivables are:

	2020 £'000	2019 £'000
Customer A	**331**	350
Customer B	**320**	209
Customer C	**227**	162
Customer D	**209**	136
Customer E	**121**	117
Customer F	**102**	101
Customer G	**83**	-

In determining the recoverability of trade receivables the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date.

Movement in the allowance for doubtful debts:

	2020 £'000	2019 £'000
Balance at the beginning of the period	**1,014**	408
Impairment losses recognised	**28**	717
Written off as bad debt	**(145)**	(111)
Balance at the end of the period	**897**	1,014

17. Trade and other payables

	2020	As restated 2019
	£'000	£'000
Current Liabilities		
Trade payables	**2,499**	3,101
Other taxes and social security	**1,369**	565
Other payables	**45**	674
Accrued costs	**1,841**	2,634
	5,754	6,974
Non-Current Liabilities		
Other payables	-	676
	-	676

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 286 (2019: 241 days). The Group has financial risk management policies in place to ensure that all payables are paid within the credit time frame.

On 16 September 2020, 7digital France SAS, a subsidiary was placed into liquidation. On this date there was a €1,147k outstanding balance relating to liabilities that were acquired when 7digital France SAS was bought by the Group in 2016. On 16 September 2020, $227k/£207k of the €1,147k was guaranteed and payable by the Parent Company and has been included in provisions (note 19); the remaining amount €1,190k/£987k has been written off as gain on liquidation as discontinued operations as seen in note 15. At 31 December 2019, £325k of current payables and £676k of non-current payables related to these aforementioned 7digital France SAS liabilities.

At 31 December 2020, £76k accrual for certain technology fees accrued for at 31 December 2019, has been transferred to provisions (note 20).

The directors consider that the carrying amount of trade payables approximates to their fair value.

18. Derivative liability

	2020	As restated 2019
	£'000	£'000
Remuneration to be paid in the form of shares	**71**	61
	71	61

Certain Non-Executive directors and employees of the Group have been award remuneration in the form of shares. The number of shares will be determined at market value on the date the shares are awarded.

Since the year end £35k of the 31 December 2020 liability has been satisfied by options issued on 27 May 2021 (see note 27).

19. Loans and borrowings

On 28 September 2020, the Group secured a £1m revolving loan facility with Investec for a period of 36 months guaranteed by two of the Directors. The arrangement allows a maximum of 4 draw downs in any 12 month period of no less than £250k per draw down. An arrangement fee of £30k was agreed, of which £4k was payable at the time of the first draw down and £26k payable in 1,382,488 warrants. Interest, payable quarterly, is calculated at 6% above Investec bank rate on the drawn portion of the facilty and 2% on the undrawn portion.

On 9 October 2020, £250k of the £1m facilty was drawn down. At 31 December 2020, £257k was due to Investec which includes accrued interest of £7k relating to the period 28 September 2020 to 31 December 2020.

20. Provisions

	Dilapidation	Provision for closure of business	Legal provision	Other provisions	Total
	£'000	£'000	£'000	£'000	£'000
At 1 January 2020	125	309	228	106	768
Transfer from other payables (see note 17)	-	239	-	76	315
Utilisation	(87)	(51)	-	(58)	(196)
Increase in provision	-	64	285	13	362
Release of provision	(38)	(316)	-	72	(282)
At 31 December 2020	**-**	**245**	**513**	**209**	**967**
Of which is: current	**-**	**136**	**513**	**209**	**858**
Of which is: non-current	**0**	**109**	**0**	**0**	**109**

A dilapidations provision was held in relation to the lease that was terminated in February 2020 (see note 14). £87k of the dilapidation provision, being the value of the initial rental deposit, was agreed with the landlord as cost of restoring the premises to its pre-lease state. The unused amount of £38k was released to the profit and loss in 2020.

On 16 September 2020, £239k was transferred from current liabilities to provision for closure of business (see note 17) and an extra provision of £64k was made relating to bank guarantees provided by ex-directors of the French entity, 7digital SAS (previously known as Snowite SAS). During the year £51k of the French & Demark closure provisions were utilised. £316k of the provisions were released, primarily consisting of £262k (see note 3) in relation to the closure of the Danish entity, 24-7 Entertainment ApS (see note 28). At 31 December 2020, the provision for closure of business of £245k relates to the French entity, which is being paid off in 18 instalments of £11.2k to September 2022 and 3 instalments thereafter of £2.7k to December 2022.

During 2018 a civil action was brought by a former US customer against the Parent Company for failure to deliver services specified in their Term Sheet. The breach of contract claim is for: i) consequential damages for loss of future profits in an amount to be determined at trial; ii) compensatory damages including but not limited to the contract amount of USD200k; iii) punitive damages in an amount to be determined by a jury; (iv) attorney's fees, costs, and expenses; and (v) pre-and post-judgment interest. At 31 December 2020, the provision made in 2019 of £228k was increased by a further £285k. In May 2021, the parties reached a settlement agreement in principle upon confidential terms which is in the process of being executed.

At 31 December 2020, other provisions consist of £149k provision for technology costs that may become due, of which £76k has been reanalysed from 2019 trade payable (see note 17), and £60k payroll taxes on share options.

21. Deferred tax

There is no deferred taxation provision included in the Statement of Financial Position (2019: £nil)

22. Share capital

	2020	2019
	No. of shares	No. of shares
Allotted, called up and fully paid:		
Ordinary shares of 0.01p each	**2,722,085,961**	2,455,419,294
Deferred shares of 0.99p each	**419,622,489**	419,622,489
Deferred shares of £0.09 each	**115,751,517**	115,751,517

	2020	2019
Allotted, called up and fully paid	**£'000**	£'000
At 1 January	**14,817**	14,420
Shares issued in the period		
Capital fundraising	**27**	397
At 31 December	**14,844**	14,817

On 3 September 2020, 266,666,667 ordinary shares of 0.01p each were issued to the market to raise £6.0m (before expenses); share premium was increased by £5,662k after deducting £313k of expenses.

23. Other reserves

The Reverse acquisition reserve was created upon the application of reverse acquisition accounting relating to the purchase of 7digital Group Inc, by UBC Media plc on 10 June 2014.

The Foreign exchange translation reserve of £149k loss (2019: £184k profit) relates to cumulative foreign exchange differences on translation of foreign operations.

The Merger reserve related to the difference between the nominal value of shares issued as part of an acquistion and the fair value of the assets transferred in relation to the 2016 acquisition of the French entity, 7digital France SAS. On 16 September 2020, the French entity was liquidated and the merger reserve has subsequently been transferred to retained earnings (see note 15).

The Shares to be issued includes £89k (2019 restated: £178k) relating to the fair value at grant date of the share options that can be exercised in future years and £26k (2019: £nil) for share warrants (see note 19).

24. Operating lease arrangements

The only leases have been accounted for under IFRS 16 (see note 14). There are no other short term operating leases.

25. Defined contribution pension schemes

The Group operates defined contribution retirement benefit schemes for qualifying employees. The total cost charged to income of £119k (2019: £159k) represents contributions payable to these schemes by the Group at rates specified in the rules of the plans. As at 31 December 2020, contributions due in respect of the current reporting period of £25k had not been paid over to the schemes (2019: £41k).

26. Related party transactions

During the year, the Group paid £8.2k (2019: £6.4k) to MIDiA Research for music market research services, a company of which Mark Foster was a director during 2020. At 31 December 2020, the Group owed £nil (2019: £nil).

During the year, the Group invoiced and recognised $183k (2019: $228k) of revenue to eMusic (a subsidiary of TriPlay Inc.), a group which Tamir Koch was a director of during 2020. At 31 December 2020, the Group was owed £327k (2019: £209k); no provision was made relating to this balance at the year end (2019: provision made £164k).

During the year, the Group paid fees of £189k (2019: £54k) to MJ Advisory, which is Michael Juskiewicz's personal service company based in the US.

Transactions between the Parent Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

Remuneration of key management personnel
The remuneration of the directors, who are the key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures. Further information about the remuneration of individual directors is provided in the audited part of the Directors' Remuneration Report on pages 21 to 22.

	2020	2019
	£'000	£'000
Wages and salaries	**574**	**999**
Social security costs	**34**	**113**
Pension costs to defined contribution scheme	**10**	**32**
Share-based payments	**59**	283
	677	1,427

27. Share-based payments

26 members of staff hold options to subscribe for shares in the Parent Company under the 7digital Group plc enterprise management incentive scheme (approved by the Board on 10 June 2014). The Performance Share Plan is a "free" share award with an effective exercise price of £nil. All awards are subject to an Earnings per Share (EPS) performance condition. The performance period is three years. Further details of these conditions are set out in the Directors' Report. Awards are normally forfeited if the employee leaves the Group before the awards vest.

27. Share-based payments (continued)

	2020 Options	**Weighted average exercise price (pence)**	2019 Options	Weighted average exercise price (pence)
Outstanding at 1 January	**8,896,168**	**-**	13,912,308	**-**
Granted during the period	**-**	**-**	-	-
Forfeited during the period	**(852,834)**	**-**	(5,016,140)	-
Exercised during the period	**-**	**-**	-	-
Outstanding at the end of the period	**8,043,334**	**-**	8,896,168	-
Exercisable at 31 December	**5,413,334**	**-**	-	-

During the period, nil shares were exercised (2019: nil). There are 8,043,334 options outstanding at 31 December 2020 (2019: 8,896,168) of which 5,413,334 (2019: nil) are exercisable. Their remaining weighted average contractual life is 268 days (2019: 604 days).

The fair value of the share options has been calculated using the Black-Scholes model at the grant date. The key inputs into the Black-Scholes model are detailed below:

	2018 Options
Share price at date of grant	5.85p
Exercise price	0.00p
Volatility	100%
Option life	3 yrs.
Risk-free interest rate	0.5%

The total expense recognised for the year ending 31 December 2020 arising from equity-settled share-based payment transactions amounted to £99k (2019: £239k) and the share-based payment reserve as at 31 December 2020 amounted to £461k (2019 restated: £346k).

28. Post balance sheet events

In early 2021, the right-to-use property lease contract was renegogiated; the Directors agreed to a reduction of rental payments in Q1 2021 with a 3 month extension of the contract to November 2023.

On 14 April 2021, the Danish entity, 24 -7 Entertainment ApS, was dissolved.

On 27 May 2021, the Group issued shares options to non-executive directors and other employees to satisfy remuneration payable in shares (see note 18).

29. Financial instruments

Capital risk management
The Group manages its capital to ensure that entities in the Group will be able to meet their financial obligations as they arise while maximising the return to stakeholders. The capital structure of the Group consists of cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in notes 22 and 23. The Group has external liabilities by way of the debts owed on the purchase of Snowite SAS in March 2016 and as disclosed in note 17. During the year the Group secured a £1m revolving loan facilty with Investec for a period of 36 months guaranteed by two of the Directors as disclosed in note 19.

Categories of financial instruments

	2020	As restated 2019
Financial assets at amortised cost	**£'000**	£'000
Cash and cash equivalents	**2,839**	149
Trade and other receivables	**2,132**	2,646
Financial liabilities at amortised cost		
Trade and other payables	**(4,385)**	(6,934)
Loans and borrowings	**(250)**	-
Put options	**-**	(123)
Financial liabilities at fair value through the profit and loss		
Derivative liability (see note 18)	**(71)**	(61)

Put Options
As part of the 2016 acquisition of Snowite, the Group agreed with three of the original institutional shareholders that if they are unable to sell the 3,056,894 shares in 7digital Group they received in the public market, 7digital Group plc would purchase 75% of their shares at a strike price of 8.75p over a 4-year period starting from March 2016, 10% in year 1 and then c.21.7% each year thereafter. By March 2020 the options had lapsed as the three institutional shareholders still retained all their shares in 7digital Group plc at that date. The value of the options at 31 December 2020 is £nil (2019: £123k). Adjustments to this provision are taken directly to the Consolidated Income Statement within Administrative expenses. In 2020 this credit was £123k (2019: £73k). The financial liability for 2019 was included within trade and other payables.

The carrying amounts of financial assets and financial liabilities not carried at FVTPL approximate their fair values.

Financial and market risk management objectives
It is, and has been throughout the year under review, the Group's policy not to use or trade in derivative financial instruments. The Group's financial instruments comprise its cash and cash equivalents and various items such as trade debtors and trade creditors that arise directly from its operations. The main purpose of the financial assets and liabilities is to provide finance for the Group's operations in the year.

Currency risk management
The Group had minimised exposure to foreign currency risk due to subsidiaries in France (liquidated 16 September 2020) and United States (dissolved 22 May 2020). The Group manages the risk by holding cash in numerous currencies to avoid foreign exchange charges on payments and receipts.

29. Financial instruments (continued)

The carrying value of the Group's short-term foreign currency denominated assets and liabilities are set out below.

	GBP BU's		
	2020	2019	2018
Assets/(Liabilities)	**£k**	£k	£k
USD	**878**	619	163
EUR	**(57)**	(512)	1,548
Other	**108**	(440)	(130)
Totals	**929**	(333)	1,581

The majority of the Group's financial assets are held in Sterling but movements in the exchange rate of the Euro and US dollar against Sterling have an impact on both the result for the year and equity. Sensitivity to reasonably possible movement in the Euro and US dollar exchange rates can be measured on the basis that all other variables remain constant. The effect on profit and equity of strengthening or weakening of the Euro or US dollar in relation to Sterling by 10% would result in a movement of +/- £6k (2019: £47k) in relation to the Euro and +/- £89k (2019: £44k) in relation to the US dollar.

Interest rate risk management and sensitivity
The Group's policy is to ensure that it maximises the interest income on surplus cash. This involves placing cash in a mix of fixed rate and floating rate short-term deposits. There is no prescribed ratio of fixed to floating rate. Due to the current level of cash and the current rates of interest the Group is not exposed to any significant interest rate risk.

Credit risk management
Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties, as a means of mitigating the risk of financial loss from defaults. The Group only transacts with entities after assessing credit quality using independent rating agencies and if not available, the Group uses other publicly available financial information and its own trading records to rate its major customers. The Group's exposure is continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits.

On going credit evaluation is performed on the financial condition of accounts receivable. The credit risk on liquid funds is limited because the counterparties are banks with high credit-rating assigned by international credit-rating agencies. The carrying amount of financial assets recorded in the financial statements, which is net impairment losses, represents the Group's maximum exposure to credit risk.

Liquidity risk management
The Group's policy throughout the year has been to ensure continuity of funds. The Group manages liquidity risk by maintaining adequate reserves and banking facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Liquidity and interest risk tables
All trade and other payables are non-interest bearing and fall due within one month. The bank loan (see note 19) is repayable in full by 28 September 2023. Interest, payable per calendar quarters, is calculated at 6% above Investec bank rate on the drawn portion of the facilty and 2% on the undrawn portion.

29. Financial instruments (continued)

The following table sets out the contractual maturities (representing the undiscounted contractual cash-flows) of financial liabilities:

	2020	2019
Within 12 months	**£'000**	£'000
Trade payables	**2,499**	3,101
Other payables	**45**	325
Lease liability	**670**	472
	3,214	3,898

	2020	2019
More than 12 months	**£'000**	£'000
Other payables	**-**	676
Lease liability	**660**	1,186
	660	1,862

Fair value of financial instruments
The fair value of other non-derivative financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions.

Cash at bank and short-term bank deposits
Cash is held within the following institutions:

	2020	2019	2018
	£'000	£'000	£'000
Barclays Bank	**2,839**	**132**	324
HSBC Bank	**-**	**4**	36
Bank of West	**-**	**2**	7
CIC Bank	**-**	**11**	23
Others	**-**	**-**	71
	2,839	**149**	461

30. Contingent liabiities

The Group does not have any contingent liabilities.

7digital Group plc

PARENT COMPANY STATEMENT OF FINANCIAL POSITION
For the year ended 31 December 2020

	Notes	2020 £'000	As restated 2019 £'000
Assets			
Non-current assets			
Tangibles	B	**63**	39
Right-of-use asset	C	**1,184**	1,321
Fixed asset investments	D	**-**	-
		1,247	1,360
Current assets			
Trade and other receivables	E	**198**	248
Cash at bank and in hand		**2,125**	1
		2,323	249
Current liabilities			
Trade and other payables	G	**(1,002)**	(1,273)
Derivative liability	H	**(71)**	(61)
Lease liability	C	**(670)**	(472)
Provision for liabilities and charges	I	**(710)**	(829)
		(2,453)	(2,635)
Net current liabilities		**(130)**	(2,386)
Total assets less current liabilities		**1,117**	(1,026)
Non-current liabilities			
Loans and borrowings	J	**(250)**	-
Lease liability	C	**(660)**	(1,186)
Provision for liabilities and charges	I	**(109)**	-
		(1,019)	(1,186)
Total liabilities		**(3,472)**	(3,795)
Net assets/(liabilities)		**98**	(2,212)
Capital and reserves			
Called up share capital	K	**14,844**	14,817
Share premium account		**17,705**	12,043
Shares to be issued		**461**	346
Profit and loss account		**(32,912)**	(29,418)
Shareholders' reserve/(deficit)		**98**	(2,212)

Result for the year

As permitted by section 408 of the Companies Act 2006 the Company has not prepared its own profit and loss account for the year. 7digital Group plc reported a loss for the financial year ended 31 December 2020 of £3,494k (2019: loss restated £4,161k).

This Company Statement of Financial Position and related notes were approved by the Board of Directors on 29 June 2021 and were signed on its behalf by:

Paul Langworthy, Director

7digital Group plc

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY
For the years ended 31 December 2020 and 2019

Statement of changes in Equity for the year ended 31 December 2020

	Share capital	Share premium account	Shares to be issued	Profit and Loss account	**Total**
	£'000	£'000	£'000	£'000	**£'000**
At 31 December 2019 as previously reported	**14,817**	**12,043**	**407**	**(29,453)**	**(2,186)**
Prior year adjustments	-	-	(61)	35	**(26)**
At 1 January 2020	**14,817**	**12,043**	**346**	**(29,418)**	**(2,212)**
Comprehensive loss for the year					
Loss for the year	-	-	-	(3,494)	**(3,494)**
Total comprehensive loss for the year	**-**	**-**	**-**	**(3,494)**	**(3,494)**
Contributions by and distributions to owners					
Shares issued	27	5,662	-	-	**5,689**
Share based payments (see note 26)	-	-	89	-	**89**
Share warrants issued (see note 18)	-	-	26	-	**26**
Total contributions by and distributions to owners	**27**	**5,662**	**115**	**-**	**5,804**
At 31 December 2020	**14,844**	**17,705**	**461**	**(32,912)**	**98**

Statement of changes in Equity for the year ended 31 December 2019

	Share capital	Share premium account	Shares to be issued	Profit and Loss account	**Total**
	£'000	£'000	£'000	£'000	**£'000**
At 1 January 2019	14,420	8,294	168	(25,534)	(2,652)
Comprehensive loss for the year					
Loss for the year- restated	-	-	-	(4,161)	(4,161)
Total comprehensive loss for the year	-	-	-	(4,161)	(4,161)
Contributions by and distributions to owners					
Shares issued	397	3,749	-	-	4,146
Share based payments - restated	-	-	178	-	178
Capital contribution	-	-	-	277	277
Total contributions by and distributions to owners	397	3,749	178	277	4,601
At 31 December 2019	14,817	12,043	346	(29,418)	(2,212)

The notes from pages 72 to 80 form part of the financial statements.

A. Principal accounting policies

7digital Group plc is a company incorporated in the United Kingdom (England and Wales) under the Companies Act 2006.

The financial statements are presented as required by the Companies Act 2006. They have been prepared in accordance with applicable law and accounting standards in the United Kingdom. The balance sheet and related notes have been prepared under the historical cost convention and in accordance with Financial Reporting Standards 100 Application of Financial Reporting Requirements (FRS100) and 101 Reduced Disclosures Framework. The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 101 Reduced disclosure framework:

- the requirements of paragraphs 45(b) and 46 to 52 of IFRS 2 *Share-based payment;*
- the requirements of IFRS 7 *Financial Instruments: Disclosures;*
- the requirements of paragraphs 91 to 99 of IFRS 13 *Fair value measurement;*
- the requirement in paragraph 38 of IAS 1 *Presentation of Financial Statements* to present comparative information in respect of:
  - paragraph 79(a)(iv) of IAS1:
  - paragraph 118(e) of IAS 38 *Intangible Assets*
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D and 111 of IAS 1 *Presentation of financial statements;*
- the requirements of paragraphs 134 to 136 of IAS 1 *Presenation of financial statements*;
- the requirements of IAS 7 *Statement of Cashflows;*
- the requirements of paragraphs 30 and 31 of *IAS 8 Accounting policies, changes in accounting estimates and errors:*
- the requirement of paragraphs 17 and 18A of *IAS24 Related party disclosures;*
- the requirements in IAS 24 *Related party disclosures* to disclose related party transactions entered into between two or more members of a group; and
- the requirements of paragraphs 134(d) to 134(f) and 135(c) to 135(e) of IAS 36 *Impairment of assets.*

These financial statements are separate financial statements.

Where required, equivalent disclosures are given in the Group's consolidated financial statements in notes 1 to 30.

Foreign currency
Transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit and loss for the year.

Intangible assets
Intangible assets acquired as part of acquisition of a business are stated at fair value less accumulated amortisation and any impairment losses are stated at cost less accumulated depreciation and impairment losses, if any.

Intangible assets (Bespoke applications) arising from the internal or external development phase of projects is recognised if, and only if, all of the following have been demonstrated:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- The intention to complete the intangible asset and use or sell it;
- The ability to use or sell the intangible asset;
- How the intangible asset will generate probable future economic benefits;
- The availability of adequate technical, financial, and other resources to complete the development and to use or sell the intangible asset; and
- The ability to measure reliably the expenditure attributable to the intangible asset during its development.

A. Principal accounting policies (continued)

The amount initially recognised for internally generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.
Internally and externally generated intangible assets are amortised over their useful economic lives on a straight-line basis, typically over 3 years.

Research expenditure is recognised as an expense in the period in which it is incurred.

Impairment of tangible and other intangible assets
The Company reviews, at least annually, the carrying amounts of its tangible and intangible assets compared to the recoverable amounts to determine whether those assets have suffered an impairment loss. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss had been recognised for the asset in prior years.

Cash and cash equivalent
Cash and cash equivalents comprise cash on hand and demand deposits and other short-term, highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Fixed asset investments
Investments in subsidiaries are accounted for at cost less impairment in the Company's financial statements.

Classification
Financial instruments are classified and accounted for according to the substance of the contractual arrangement, as financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Where shares are issued, any component that creates a financial liability of the Company is presented as a liability on the balance sheet. The corresponding dividends relating to the liability component are charged as interest expenses in the profit and loss account.

Recognition and measurement
All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction.
If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Impairment
Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss.

Share-based payments
The Company issues equity settled share based payments to certain Directors and employees, which have included grants of shares and options in the current year. The fair value determined at the grant date is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest. Fair value is measured by use of an appropriate valuation model. The Black-Scholes option pricing model has been used to value the share options plans.

Going concern
These financial statements have been prepared on the going concern basis. Please refer to the Directors' Report on pages 14 to 17 for further going concern commentary.

A. Principal accounting policies (continued)

IFRS 9 "Financial Instruments"
IFRS 9 Financial Instruments replaces the existing guidance in IAS 39 Financial Instruments Recognition and Measurement IFRS 9 Includes revised guidance on the classification and measurement of financial Instruments, including a new expected loss model for calculating impairment on financial assets as is set out in the Group's accounting policy on page number 44 to 46.
Impairment provisions for receivables from related parties and loans to related parties are recognised based on a forward-looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those where the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those for which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

Leases
All leases are accounted for by recognising a right-of-use asset and a lease liability except for:
• Leases of low value assets; and
• Leases with a duration of 12 months or less.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease.

On initial recognition, the carrying value of the lease liability also includes:
• amounts expected to be payable under any residual value guarantee;
• the exercise price of any purchase option granted in favour of the Company if it is reasonably certain to assess that option; and
• any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right-of-use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:
• lease payments made at or before commencement of the lease;
• initial direct costs incurred; and
• the amount of any provision recognised where the Company is contractually required to dismantle, remove or restore the leased asset.

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease.

Critical accounting judgements and key sources of estimation uncertainty
In the application of the Company accounting policies, which are described above, 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. Revisions to accounting estimates are recognised in the period within which the estimate is revised if the revisions affect only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

A. Principal accounting policies (continued)

Investment in subsidiary is carried at cost under IAS 27 and the financials are to be tested for impairment at each reporting date as per IAS 36. The impairment standard requires the management to estimate the recoverable amount of the asset and compare it with the carrying value in the books to measure any impairment. For estimating the recoverable amount of the "Investment in subsidiary" the management relies upon; the net asset position of the subsidiary as on the balance sheet date, which brings the necessary assurance about the recoverability of the investment.

There are no critical judgements, apart form those involving estimates, that directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Employees
The average number of employees throughout 2020 was 10 (2019: 14). Staff costs amounted to £1.4m (2019: £1.8m). Information about the remuneration of directors is provided in the audited part of the Directors' Remuneration Report on pages 21 to 22 of the consolidated financial statements.

Correction of prior period errors
The directors have determined that there was an over accrual of payroll taxes in the Company of £35k at 31 December 2019. The directors also identified the misanalysis of £61k that was included in equity as shares to be issued but, given the non fixed element, should have been disclosed as derivative liability. A summary of the prior period adjustments is set out in the table shown below:

	2019 as previously reported	Increase/ (decrease)	2019
Tangibles	39		39
Right-of-use asset	1,321		1,321
Current assets	249		249
Trade and other payables	(1,308)	35	(1,273)
Derivative liability	-	(61)	(61)
Lease liability	(472)		(472)
Provisions for liabilities and charges	(829)		(829)
Non-current liabilities	(1,186)		(1,186)
	(2,186)	(26)	(2,212)
Retained profit	(29,453)	35	(29,418)
Other equity	27,267	(61)	27,206
	(2,186)	(26)	(2,212)

B. Tangibles

	Computer equipment £'000
Cost	
At 1 January 2020	69
Additions	59
At 31 December 2020	**128**
Amortisation	
At 1 January 2020	30
Charge for the year	35
At 31 December 2019	**65**
Net book value	
At 31 December 2020	**63**
At 31 December 2019	39
At 31 December 2018	-

The 2020 additions relate to the implementation of the a new cloud-based accounting system.

C. Leases

The Company leased a property that originally ran until April 2023. In February 2020, on agreement with the landlord, the lease was terminated, and the Company vacated the premises. At 29 February 2020, a profit on sale of £378k was recorded in relation to this lease, being the difference between the net book value and lease liability on that date.

On 1 July 2020, the Company entered into a new lease that would run until August 2023. After the year end this lease has subsequently been renegotiated to end in November 2023 with an agreed rent reduction (see note 28).

Right-of-use assets	**Land and buildings**
	£'000
At 1 January 2020	1,321
Disposal	(1,252)
Addition	824
Amortisation	291
At 31 December 2020	**1,184**

C. Leases (continued)

Lease liability	**Land and buildings**
	£'000
At 1 January 2020	1,658
Disposal	(1,630)
Addition	1,406
Interest expense	45
Lease payments	(149)
At 31 December 2020	**1,330**
Analysed:	
Current	670
Non-current	660
Total	**1,330**

D. Fixed asset investments

	£'000
Cost	
At 1 January 2020	21,769
At 31 December 2020	**21,769**
Provision for impairment	
At 1 January 2020	(21,769)
Impairment during the year	-
At 31 December 2019	**(21,769)**
Net book value at 31 December 2020	**-**
Net book value at 31 December 2019	-
Net book value at 31 December 2018	1,000

D. Fixed asset investments (continued)

Related subsidiaries, joint ventures and associates

Subsidiaries	Ordinary shares held at 31 December 2020	Principle activity	Country of incorporation	Registered office
7digital Limited	**100%**	Music streaming and download services	England and Wales	**
7digital Creative Limited	**100%**	Radio production	England and Wales	**
7digital Trading Limited	**100%**	Non-trading *(from 1 April 2020)*	England and Wales	**
Smooth Operations (Productions) Limited *(dissolved 16 March 2021)*	**100%**	Dormant	England and Wales	**
7digital Wing India Private Limited	**100%**	Non-trading	India	****

Unique Interactive Limited	*dissolved 29 September 2020*
7digital SAS	*liquidated 16 September 2020*
7digital Group, Inc	*dissolved 22 May 2020*
7digital, Inc	*dissolved 22 May 2020*
Oneword Radio Limited	*dissolved 28 January 2020*
UBC Interactive Limited	*dissolved 28 January 2020*

** registered office Lower Lock, Water Lane, London UK NW1 8JZ.
**** registered office D-202, Polite Hermitage, Sec 18 Shivtej Nagar, Chinchwad Pune MH 411019 India

E. Debtors

	2020	2019
Due within one year:	**£'000**	£'000
R&D credits receivable	-	139
Other debtors	**54**	109
Prepayments	**64**	-
Current	**118**	248
Non-current: other debtors	**80**	-
	198	248

F. Amounts owed by related parties

The directors have reviewed the amounts owed by related parties and believe there are significant doubts as to the future recoverability of these balances, and as such, a provision for doubtful debts (impairment loss) of £0.5m (2019: £2.7m) has been raised in the Company statement of financial position.

G. Trade and other payables

	2020	2019
Current Liabilities	**£'000**	£'000
Trade creditors	**445**	410
Other taxes and social security	-	391
Other creditors	-	248
Accruals	**557**	259
	1,002	**1,308**

H. Derivative liability

	2020	As restated 2019
	£'000	£'000
Remuneration to be paid in the form of shares	**71**	61
	71	61

Certain Non-Executive directors and employees of the Company have been award remuneration in the form of shares. The number of shares will be determined at market value on the date the shares are awarded.

Since the year end £35k of the 31 December 2020 liability has been saitisfied by options issued on 27 May 2021 (see note 27).

I. Provision for liabilities and charges

	Provision for closure of businesses (note a)	Other provisions	Legal provision (note b)	**Total**
	£'000	£'000	£'000	**£'000**
At 1 January 2020	554	47	228	**829**
Utilisation	(101)	-	-	**(101)**
Change in provision	(208)	14	285	**91**
At 31 December 2020	**245**	**61**	**513**	**819**
Of which is: current	136	61	513	710
Of which is: non-current	109	0	0	109

I. Provision for liabilities and charges (continued)

Note a
In 2018 a provision was made in the standalone books of the Parent Company, as the Parent Company had guaranteed all the half yearly repayments up to 30 April 2020 of a loan in the French entry 7digital SAS (previously known as Snowite SAS). At 31 December 2019, the balance on this provision was £300k. On 16 September 2020, the French entity was liquidated, and the Parent Company is responsible for paying the outstanding guaranteed portion. During the year payments of £76k were made against the guarantee and set against this provision of the provision was increased by £21k. At 31 December 2020, the provision for closure of business includes £245k (2019: £300k) relating to the French entity, which is being paid off in 18 instalments of £11.2k to September 2022 and 3 instalments thereafter of £2.7k to December 2022.

In 2019 a provision of £254k was made in relation to possible associated outstanding liabilities associated with the Danish entity 24-7 Entertainment ApS, liquidated by the local authorities in October 2019. During the year payments of £25k were made and set against the provision and the provision was increased by £33k relating to reanalysis of related 2019 trade payables. At the end of 2020, the directors no longer considered an outflow or resources to be probable and the remaining provision of £262k was released. Post year end, on 14 April 2021, the Danish entity, 24 -7 Entertainment ApS, was dissolved.

Note b
During 2018 a civil action was brought by a former US customer against the Parent Company for failure to deliver services specified in their Term Sheet. The breach of contract claim is for: i) consequential damages for loss of future profits in an amount to be determined at trial; ii) compensatory damages including but not limited to the contract amount of USD200k; iii) punitive damages in an amount to be determined by a jury; (iv) attorney's fees, costs, and expenses; and (v) pre-and post-judgment interest. At 31 December 2020, the provision made in 2019 of £228k was increased by a further £285k. In May 2021, the parties reached a settlement agreement in principle upon confidential terms which is in the process of being executed.

J. Loans and borrowings

On 28 September 2020, the Group secured a £1m revolving loan facilty with Investec for a period of 36 months guaranteed by two of the Directors. The arrangement allows a maxium of 4 draw downs in any 12 month period of no less than £250k per draw down. An arrangment fee of £30k was agreed, of which £4k was payable at the time of the first draw down and £26k payable under 1,382,488 warrants. Interest, payable quarterly, is calulated at 6% above Investec bank rate on the drawn portion of the facilty and 2% on the undrawn portion. On 9 October £250k of the £1m facilty was drawn down. At 31 December 2020, £257k was due to Investec which includes accrued interest of £7k relating to the period 28 September 2020 to 31 December 2020.

K. Share capital

	2020	2019
	£'000	£'000
Allotted, called up and fully paid:		
2,722,085,961 ordinary shares of 0.01p each (2019: 2,455,419,294)	**272**	245
419,622,489 deferred shares of 0.99p each (2019: 419,622,489)	**4,154**	4,154
115,751,517 deferred shares of 9p each (2019: 115,751,517)	**10,418**	10,418
	14,844	14,817

On 3 September 2020, 266,666,667 ordinary shares of 0.01p each were issued to the market to raise £6.0m (before expenses); share premium was increased by £5,662k after deducting £313k of expenses.

L. Post balance sheet events

Refer to the Group's post balance sheet events in note 28 on page 66.

7digital Group plc
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For the years ended 31 December 2020

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