29 September 2020

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

Interim Results

7digital Group plc (AIM: 7DIG), the global leader in B2B end-to-end digital music solutions, announces its interim results for the six months ended 30 June 2020.

Financial Highlights
The Company continued to make significant progress on cost restructuring and positioning itself for operational profitability in H2 2020. The new management and board instated in 2019 have transformed the business:

- Revenues of £3.1m (H1 2019*: £4.5m)
- Gross margin increased to 66% (H1 2019*: 64%)
- Administrative expenses reduced by 51% to £3.1m (H1 2019*: £6.4m)
- Operating loss reduced by 73% to £0.9m (H1 2019: loss of £3.2m)
- Adjusted EBITDA loss improved 72% to £0.9m (H1 2019*: loss of £3.3m)
- Fully diluted loss per share £0.04 (H1 2019: loss per share £0.77)
- Cash and cash equivalents of £4.3m at 28 September 2020 (30 June 2020: £183k; 31 December 2019: £149k)
  **H1 2019 figures exclude Juke sales and TDC settlement in 2019 as shown in note 2.3*

Operational Highlights

- Repositioned the Company as the leading global B2B music platform-as-a-service (MPAAS) 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
  - Supported the launch of jazzed, the world's first dedicated audio-visual streaming service for jazz and jazz-influenced music
  - Added integration with Shopify, the second largest e-commerce platform in a world, to support artist stores through Single Music contract
  - Contract renewals with several clients including Soundtrack Your Brand, GrandPad and Global Eagle Entertainment
- Reacted quickly to COVID-19 to prioritise the safety of the workforce and ensure the continuity of client services. The Company's advanced technology in conjunction with increased use of virtualised applications and cloud-based technologies enabled a seamless and secure transition to remote working with no impact on 7digital's delivery and service capability for clients.

Post-period Events and Outlook

- The Company is well-positioned to leverage our technology and services to expand traditional models and support post-COVID growth opportunities in new models and markets such as social media, online fitness, and artist monetisation
  - On 12 August 2020, company announced contract with Triller to power the world's fastest growing social music video app
  - Partnered with eMusic to launch eMusic Live, a first-of-its-kind virtual concert and artist monetisation platform
  - Signed six-month deal with a global technology company to support new music-based experiences
  - Signed contract with in-home cycling new-to-market Apex Rides, with a pipeline of additional high-profile global companies
- Raised £6m (gross) in oversubscribed equity placing and £1m credit facility to drive growth in immediate commercial opportunities
- On track to reach operational profitability in H2 2020

- Built active customer base from 34 to 45
- Strong product-market positioning in traditional music services and value in new markets provided for a bigger pipeline of new clients in H2 than in the previous year

Paul Langworthy, CEO of 7digital, said: "We are in unprecedented times, and I am immensely proud of the 7digital team for rising to this new and challenging environment. Our ability to support and improve services for current clients as well as to create value for new markets and models demonstrates the importance of our technology and solutions to a rapidly evolving music industry. Capitalising on 7digital's leading music platform, global music catalogue and industry experience we have remained focused on future growth in a number of emerging market trends and formats where music streaming plays an integral role in customer engagement, such as in social media, home fitness and artist monetisation. We continue to strengthen our platform and position to capture these growing markets and change music opportunities, as evidenced by our recent contracts with Triller, Apex Rides and the launch of eMusic Live. The Group is well capitalised, has financially supportive majority shareholders and a best-in-breed technology platform to capitalise on powerful market trends. As a result, 7digital is on track to achieve operational profitability in the second half of 2020 for the first time and deliver value for our shareholders.

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About 7digital (www.7digital.com)

7digital is the global leader in B2B end-to-end digital music solutions. The core of its business is the provision of robust and scalable technical infrastructure, licensing expertise and extensive global music rights used to create music and music video streaming and radio services for a diverse range of customers. These include consumer and social media brands, online fitness technologies, mobile carriers, broadcasters, automotive systems, record labels and retailers. 7digital also offers radio production and music curation services, editorial strategy and content management expertise.

7digital fosters industry growth and innovation by simplifying access to music for clients. From years of being the largest independent producer of programming for the BBC and powering services for partners like Triller, Soundtrack Your Brand, Global Eagle, GrandPad and Fender, 7digital is perfectly positioned to lead innovation at the intersection of digital music and next-generation radio services.

Operational Review

The Group made strong progress in the first half of the year as it executed its strategy to deliver a higher margin, productised technology offering to clients. However, the period was defined by the outbreak of COVID-19. The Company was able to respond rapidly to safeguard the health of its staff, service its clients remotely, and build an expanded pipeline of new customers in strategic growth markets.

Strong commercial momentum entering the year
Following a year of transformation, in which the Board was reshaped and the strategy updated, 7digital entered 2020 with growing momentum and a strong pipeline of new deals and contract renewals.

In January 2020, the Group expanded its client base to support online stores on Shopify, the second largest ecommerce platform in the world used by over one million businesses globally. It signed an initial 12-month contract to support Single Music, a Shopify-integrated platform that enables artists and labels to market and distribute their music and merchandise directly to fans.

Similarly, the Group built on its strategy to power music streaming innovators in February by supporting the launch of jazzed, the world's first dedicated audio-visual streaming service for jazz and jazz-influenced music. The Group's Music Platform-as-a-Service is the music engine behind the service, allowing jazzed users to stream music from 7digital's extensive catalogue of jazz tracks. Post period, a follow-up contract expanded the terms of the deal with 7digital supporting jazzed to launch globally in new territories and roll out a new tier of its music service including HD lossless audio. This relationship epitomises the shift away from mass-market, all-you-can-eat subscription models and the growing demand for premium streaming services catering to more specific tastes, genres and geographies.

The Group also signed multiple contract renewals, reflecting the strong relationships that 7digital build with its partners and the value of its offering. This includes a contract renewal with GrandPad, the first purpose-built tablet for people over the age of 75 as well as a renewal with a large music group to support its streaming service partnership in France, and fan-facing music playlist service.

COVID-19 response and pivot to emerging growth opportunities
As the COVID-19 pandemic began to impact markets and businesses around the world, 7digital was fast to protect its employees and ensure the continuity of its operations. The measures taken in 2019 to streamline the business and reduce costs put 7digital in a strong position to manage the impact of COVID-19 and protect the Group's financial position, while prioritising the health and wellbeing of its employees. The Company delivered a seamless and secure transition to remote, cloud-based working where it was able to fully service all its clients with minimal disruption. Although the Company maintained its commercial pipeline, some of these new deals and renewals were shifted from Q2 to Q3 and Q4 2020 with a consequential effect on H1 revenues. In light of this, the Group took the prudent step to implement further cost savings, which are expected to generate in-year savings of approximately £500k in 2021.

As a much leaner and more flexible business, with significantly lower overheads, 7digital was able to successfully navigate the immediate market uncertainty and pivot to a pipeline of market opportunities based around its cloud-based, technology service for the music industry. At an early stage, the management team took the proactive decision to further refine the Company's strategy to capitalise on substantial growth opportunities both in the current market and to enable new models in a post-pandemic world. As a result, it has turned its focus to enabling growth and innovation in those sectors where social distancing has accelerated the adoption of emerging trends. In particular, it has built up a substantial pipeline of new business opportunities across the areas of social media, artist monetisation and home fitness.

Growing commercial momentum in highly strategic markets in H2 2020
The success of this strategy is reflected in the number of new contracts won post-period in these key verticals. In August 2020, 7digital signed a contract with Triller to power the world's fastest growing social music video app with

its Music Platform-as-a-Service offering. At the time of the announcement, Triller had become the most downloaded app in the App Store in 50 countries, including the US, UK, Brazil, Germany, France and Australia, and 7digital will receive both a monthly licensing fee and usage-based payments to capture Triller's future growth. This reflects the Group's strategy to lead the B2B market by partnering with innovators behind the most exciting forms of music consumption and supporting them as they grow.

In addition, in August 2020, 7digital signed a six-month contract on similar commercial terms with a global technology company to provide access to the Company's global music catalogue and reporting services in support of new music-based experiences.

Also, in August 2020, the Company 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, eMusic Live creates a new way for artists to engage with fans and recoup lost income, however it also paves the way for a new engagement and income stream that in a post-pandemic world, bundling ticketing, music sales, 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.

7digital also entered the fast-growing home fitness market by signing an initial 12-month contract with Apex Rides in September 2020. In exclusive partnership with London-based boutique fitness pioneer Boom Cycle, new-to-market Apex Rides provides a full home exercise connected bike and subscription service with live and on-demand interactive classes. 7digital's out-of-the-box solution supports music-based virtual fitness services to access fully cleared and compliant music for programming classes and curating exercise playlists.

These are all new contracts in strategic markets for the Company with significant growth prospects. The Company continues to execute its strategy of leveraging its market-leading technology to capitalise on the growth in music streaming and demand for music in new entertainment formats and use-cases.

Financial Review

Revenue from operations (after adjusting for the Juke sales and TDC contract in H1 2019) was £3.1m (H1 2019*: £4.5m). The gross margin increased by two percentage points to 66% (H1 2019: 64%).

The Group continued to significantly reduce its administrative expenses as the business becomes more streamlined and focuses on its productised technology offering. Total administrative expenses fell by 49% to £3.2m (H1 2019*: £6.4m).

As a result, the operating loss reduced by 69% to £1.0m (H1 2019: loss of £3.2m) and the adjusted EBITDA loss improved by 69% to £1.0m (H1 2019*: loss of £3.3m).

Fully diluted loss per share was £0.04 (H1 2019: loss per share £0.77).

Cash and cash equivalents were £4.8m at 22 September 2020 (30 June 2020: £183k; 31 December 2019: £149k)

Financing

Post period, the Group raised £7.0m to support the growth of the business. In particular, these proceeds will enable 7digital to capitalise on significant emerging opportunities in the markets of home fitness, artist monetisation and social media.

On 3 September 2020, the Group announced that it had successfully completed an oversubscribed placing and subscription. This raised £6.0 million (gross) through the placing of 266,666,667 new Ordinary Shares, all at an issue price of 2.25 pence per share.

In addition, the Group today announced that it has entered into a £1m secured revolving credit facility ("RCF") with Investec Bank plc. The RCF adds non-dilutive financing to the placing and subscription announced earlier in September 2020.

The funds set the business up for a sustained period of growth, building on the Group's leading global position in the expanding market of B2B music streaming.

Outlook

The Company's decisive response to the COVID-19 pandemic and £7m financing during September 2020 has positioned 7digital to capitalise on significant growth markets. Streaming is being adopted by consumers at an increasing pace, accounting for 56% of all music sales in 2019 and driving a fifth consecutive year of growth, according to the IFPI. The lockdowns implemented as a result of the COVID-19 pandemic have only further accelerated this adoption, leading to a rise in home entertainment streaming as well as other formats.

The Group has identified a number of emerging trends for which it has a strong product market fit. Management see meaningful growth and revenue opportunities from well-funded and enterprise businesses that consider music a vital component in their own customer engagement and growth strategies. These sectors include:

- **Social media platforms:** following the success of TikTok and the popularity of video and audio inclusive user-generated content, the Group is discussing opportunities with several such companies that provide either similar services or more disruptive variances to the existing offering (as with Triller)
- **Virtual-live market:** this rapidly emerging live stream market is attracting much attention, including the launch of eMusic Live, and the Group expects servicing operators in this space to become a valuable new pillar in the 7digital ecosystem
- **Home fitness:** building on the deal with Apex Rides, the Group is currently engaging with a number of fitness companies looking to incorporate digital content, ranging from virtual cycling and running to more traditional gyms in this $94 billion global industry

7digital's leading technology offering, global music catalogue and industry expertise makes the Group well placed to capitalise on the growing demand for digital music services to improve existing customer offerings and power new entertainment formats. Even with the impact of COVID-19, the Group entered H2 2020 with more customers and a higher sales pipeline than it entered H2 2019.

The Group is well capitalised, has financially supportive majority shareholders and a best-in-breed technology platform to capitalise on powerful market trends. As a result, 7digital is on track to achieve operational profitability in the second half of 2020 for the first time and deliver value for our shareholders.

Condensed consolidated statement of comprehensive income

Six months ended 30 June 2020 (unaudited)

	Notes	**Unaudited six months ended 30 June 2020**	Unaudited restated six months ended 30 June 2019	Audited full year ended 31 Dec 2019
		£'000	£'000	£'000
Continuing operations				
Revenue	2	**3,097**	5,591	9,303
Cost of sales		**(1,057)**	(1,659)	(3,006)
Gross profit		**2,040**	3,932	6,297
Other income	3	**193**	1,269	1,103
Administrative expenses	4	**(3,124)**	(8,442)	(13,037)
Adjusted operating loss		**(749)**	(2,240)	(3,358)
- Share based payments		**(88)**	(43)	(239)
- Foreign Exchange		**(54)**	(21)	(238)
- Other adjusting items	5	**0**	(937)	(1,802)
Operating loss	4	**(891)**	(3,241)	(5,637)
Finance income and charges	6	**(54)**	(92)	(172)
Loss before tax		**(945)**	(3,333)	(5,809)
Taxation on continuing operations		**0**	(33)	(3)
Total comprehensive income attributable to owners of the parent company		**(945)**	(3,366)	(5,812)
Loss per share (pence)				
Basic and diluted	7	**(0.04)**	(0.77)	(0.47)

Consolidated Statement of Comprehensive Income

Loss for the year		**(945)**	(3,366)	(5,812)
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of foreign operations		**(83)**	(24)	184
Other comprehensive loss		**(1,028)**	(3,390)	(5,628)
Total comprehensive loss attributable to owners of the parent company		**(1,028)**	(3,390)	(5,628)

Condensed consolidated statement of financial position
At 30 June 2020 (unaudited)

	Notes	**Unaudited 30 Jun 2020**	Unaudited restated 30 Jun 2019	Audited 31 Dec 2019
		£'000	£'000	£'000
Assets				
Non-current assets				
Intangible assets	8	**55**	0	0
Property, plant and equipment	9	**30**	105	51
Right of Use of asset	13	**0**	1,509	1,321
		85	1,614	1,372
Current assets				
Trade and other receivables	10	**1,215**	1,956	1,631
Contract assets		**78**	450	255
Cash and cash equivalents		**183**	1,851	149
		1,476	4,257	2,035
Total assets		**1,561**	5,871	3,407
Current liabilities				
Trade and other payables	11	**(8,125)**	(9,724)	(7,009)
Contract liabilities		**(256)**	(562)	(335)
Lease liabilities	12	**0**	(388)	(472)
Provisions for liabilities and charges - current	13	**(630)**	(169)	(768)
		(9,011)	(10,843)	(8,584)
Net current assets		**(7,535)**	(6,586)	(6,549)
Non-current liabilities				
Other payables	11	**(536)**	(652)	(676)
Contract liabilities		**0**	0	(7)
Lease liabilities	12	**0**	(1,348)	(1,186)
Provision for Liabilities and charges	13	**0**	(125)	0
		(536)	(2,125)	(1,869)
Total liabilities		**(9,547)**	(12,968)	(10,453)
Net assets		**(7,986)**	(7,097)	(7,046)
Equity				
Share capital	14	**14,817**	14,711	14,817
Share premium		**12,043**	10,051	12,043
Other reserves		**(2,840)**	(3,250)	(2,845)
Retained earnings		**(32,006)**	(28,609)	(31,061)
Total Equity		**(7,986)**	(7,097)	(7,046)

Condensed consolidated cash flow statement
Six months ended 30 June 2020 (unaudited)

	Notes	**Unaudited six months ended 30 June 2020**	Unaudited restated six months ended 30 June 2019	Audited full year ended 31 Dec 2019
Notes				
	Notes	**£'000**	£'000	£'000
Loss for the period		**(945)**	(3,366)	(5,686)
Adjustments for:				
Taxation		**0**	33	3
Profit on sale of fixed assets	12	**(378)**	(13)	(125)
Net finance		**20**	63	172
Foreign Exchange		**54**	21	238
Amortisation of intangible assets		**2**	58	228
Amortisation of rights to use of asset		**69**	227	415
Depreciation of fixed assets		**21**	250	77
Share based payments		**88**	43	239
Increase/(decrease) in provisions		**(138)**	(134)	340
Increase/(decrease) in accruals and deferred income		**332**	609	(1,392)
(Increase)/decrease in trade and other receivables		**593**	3,836	3,869
Increase/(decrease) in trade and other payables		**225**	(1,716)	(2,658)
Cash flows from operating activities		**(57)**	(89)	(4,280)
Taxation		**0**	(28)	19
Net interest		**(3)**	(22)	(31)
Net cash used in operating activities		**(60)**	(139)	(4,292)
Investing activities				
Purchase of property, p&m and intangible assets		**(57)**	0	0
Proceeds from sale of fixed assets		**0**	974	1,073
Net cash generated / (used) from investing activities		**(57)**	974	1,073
Financing activities				
Payment of lease liabilities		**(45)**	(166)	(352)
Proceeds from issue of ordinary share capital		**0**	1,267	3,313
Repayment of shareholders loans		**0**	(500)	0
Loan monies received	11	**500**	0	0
Repayment of loan	11	**(167)**	0	0
Net cash generated from in financing activities		**288**	601	2,961
Net increase/(decrease) in cash and cash equivalents		**171**	1,436	(258)
Cash and cash equivalents at beginning of period		**149**	461	461
Effect of foreign exchange rate changes		**(137)**	(46)	(54)
Cash and cash equivalents at end of period		**183**	1,851	149

Condensed consolidated statement of changes in equity
Six months ended 30 June 2020 (unaudited)

	Notes	Share capital	Share premium account	Other reserves	Retained earnings	Total
		£'000	£'000	£'000	£'000	£'000
At 1 January 2019		14,420	8,294	(3,268)	(25,526)	(6,080)
Adjustment on adoption of IFRS 16					10	10
At 1 January 2019 - restated		**14,420**	**8,294**	**(3,268)**	**(25,516)**	**(6,070)**
Loss for the period					(2,852)	(2,852)
Other comprehensive loss for the period				(24)		(24)
Shares issued		2,128	(80)			2,048
Share based payment				42		42
At 30 June 2019 - reported		**16,548**	**8,214**	**(3,250)**	**(28,368)**	**(6,856)**
Adjustment on adoption of IFRS 16 - correction	1				(10)	(10)
Shares issued - correction	1	(1,837)	1,837			0
Other comprehensive loss for the period - correction	1				277	277
Loss for the period - correction	1				(514)	(514)
At 30 June 2019 - restated		**14,711**	**10,051**	**(3,250)**	**(28,615)**	**(7,103)**
Loss for the period					(2,446)	(2,446)
Other comprehensive loss for the period				208		208
Shares issued		106	1,992			2,098
Share based payment				197		197
At 31 December 2019		**14,817**	**12,043**	**(2,845)**	**(31,061)**	**(7,046)**
Loss for the period					(945)	(945)
Other comprehensive loss for the period				(83)		(83)
Share based payment				88		88
		14,817	**12,043**	**(2,840)**	**(32,006)**	**(7,986)**

Notes to the interim results

Six months ended 30 June 2020 (unaudited)

1. Presentation of financial information and accounting policies

Basis of preparation

The condensed consolidated financial statements are for the six months to 30 June 2020.

The information for the six months ended 30 June 2020 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. The information for the year ending 31 December 2019 is taken from the Annual Reports and Financial Statements 2019 of 7digital Group plc.

The combined financial information has been prepared in accordance with 7digital Group plc accounting policies. 7digital Group plc accounting policies are in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and as issued by the International Accounting Standards Board, and are set out in the 7Ddigital Group plc Annual Reports and Financial Statements 2019

Going concern

Summary

On 3 September 2020, 7digital annouced the placing of 266,666,667 new Ordinary Shares of 0.01p each, which raised £6m at an issue price of 2.25 pence per share. The net proceeds of the fundraising will be used to meet the immediate working capital requirements of the Group and support immediate and medium term commercial growth opportunities, in particular within home fitness, artist monetisation, and social media.

Background to and reasons for the placing

The music industry is undergoing a period of change and opportunity whereby revenue sources are changing. and growing. Whereas five years ago revenues were dominated mainly by music sales and live performances, today streaming has displaced download music sales and COVID-19 has shut down live performances for much of 2020 and is likely to continue to impact live performances in the medium term. In addition, as music streaming has gained in popularity, music listening on social video platforms has begun to outpace DSP streaming services.

7digital has an advanced, scalable, cloud-based platform and the Directors believe that the Company is positioned to take advantage of new sources of growth brought on by the changing industry as well as the new opportunities and models accelerated by the COVID-19 pandemic. This is supported by a number of renewals and new contracts over the last year, including with Triller, eMusic and a global technology company in August 2020. In particular 7digital has identified potentially significant emerging opportunities within social media, home fitness and artist monetisation channels.

COVID-19

In March 2020, the World Health Organisation declared a global pandemic due to the COVID-19 virus that has spread across the globe, causing different governments and countries to enforce restrictions on people movements, a stop to international travel, and other precautionary measures. This has had a widespread impact economically and a number of industries have been heavily impacted. This has resulted in impacts on certain industries and a more general need to consider whether budgets and targets previously set are realistic in light of these events.

As described in the Operational Review, the COVID-19 pandemic has impacted our business but the Board believes that the business is well positioned to be able to navigate through the impact of COVID-19 due to the strength and flexibility of its service proposition.

Brexit

The United Kingdom ('UK') formally left the European Union ('EU') on 30 January 2020. The period of time from when the UK voted to exit the EU on 23 June 2016 and the formal process initiated by the UK government to withdraw from the EU, or Brexit, created volatility in the global financial markets. The UK now enters a transition period, being an intermediary arrangement covering matters like trade and border arrangements, citizens' rights and jurisdiction on matters including dispute resolution, taking account of The EU (Withdrawal Agreement) Act 2020, which ratified the Withdrawal Agreement, as agreed between the UK and the EU. The transition period is currently due to end on 31 December 2020 and ahead of this date, negotiations are ongoing to determine and conclude a formal agreement between the UK and EU on the aforementioned matters.

The Group operates subsidiaries in many countries. The Directors currently deem that the effects of the UK's current transitional period outside the EU and the impact of ongoing discussions with the EU will not have a significant impact on the Group's operations due to the global geographical footprint of the business and the nature of is operations.

On 28 September 2020, the Group secured a £1m secured revolving credit facility with Investec, interest of 6% above Investec bank rate on the drawn portion of the facilty.

Notes to the interim results

Six months ended 30 June 2020 (unaudited)

Conclusion

The Directors have reviewed 7digital's going concern position taking account of its current business activities, financial forecasts and factors likely to affect its future financial position, which include 7digital's objectives, policies and processes for managing its capital and its financial risk management objectives. Considering the global coronavirus (COVID-19) pandemic, the global economic uncertainties and impact on delayed sales cycles, the Directors have undertaken an elevated scrutiny to the cashflow forecasts covering a period of at least 12 months from the date of approval of the financial statements. Cashflow forecasts have been prepared based on a range of scenarios including, but not limited to, no further debt or equity funding, existing customer churn at different churn rates, no new contracted sales revenue, delayed sales, cost reductions, both limited and extensive, and a combination of these different outcomes.

Having assessed the sensitivity analysis on cashflows including the funding of £6m and the security of the newly agreed credit facility, together with the significant current business momentum from new customers including Triller, the launch of eMusic Live and growing demand for streaming and digital music solutions, the Directors strongly believe 7digital will continue to operate as a going concern for the foreseeable future, being 12 months from their signing of the financial statements.

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 known as B2C sales)
3) Creative revenues

Revenue comprises of:

I. Licensing revenues

7digital defines licensing revenues as fees earned both for access to the company'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 comprises 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.
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.
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 a number of content stores and the income is recognised in the month it relates to.

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 accrued/deferred until such time as 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 company has no alternative use of the program produced, the group recognises revenue over the period ie based on percentage of completion, for the rest of the regular programs and contents, where the company doesn't own the IP, the group measures the revenue based on delivery of the content i.e. point in time.

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 may not be distinct in nature. Under IFRS 15, the Group must evaluate 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.

Notes to the interim results

Six months ended 30 June 2020 (unaudited)

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 7digital 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 recognize.

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 company 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 is 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.

Notes to the interim results

Six months ended 30 June 2020 (unaudited)

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 (see section related to critical accounting judgements and key areas of estimation uncertainty below).

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:

- 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. Due to the implementation of IFRS16, the brought forward balances at 1 January 2019 have been adjusted to reflect the inclusion of a Rights of Use asset.

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
Right-of-use assets	- over period of the lease

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.

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.

IFRS 16 was adopted 1 January 2019 without restatement of comparative figures.

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

Notes to the interim results

Six months ended 30 June 2020 (unaudited)

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;
• 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 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. When the group revises its estimate of the term of any lease

Critical accounting judgements and key areas 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 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
Content cost of sales is determined at an average rate of sales and is consistent with previous years. The directors believe that this calculation is deemed to be the most effective method of determining the true cost of content considering varied pricing structures agreed with all the label suppliers and publishers.

Creative revenue
Management considers the detailed criteria for the recognition of revenue from the sale of goods and services 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

Correction to prior period

Share capital and share premium
There was an overtstatement of share capital and an understatement of share premium of £1,837k relating to the capital reorganisation in June 2019.

Shareholder's loan forgiven and associated interest
During the 2019 audit, it was established that the the shareholder's loan of £250k plus associated interest of £27k that was forgiven in March 2019 should have been deemed a capital contribution and not shown within finance income. This has effected the reported loss.

Understatement of content cost of sales
Content cost of sales was understated at 30 June 2019 by £179k; consequently cost of sales and accrued costs have been increased by £179k. This as effected the report loss.

Notes to the interim results

Six months ended 30 June 2020 (unaudited)

Implementation of IFRS 16
During the 2019 audit the Group took the decision to adopt IFRS16 from 1 January 2019 without restatement of comparative figures. In addition the value of the tight to use asset and associated leased liability was revised. The effect has been to reduce the asset value by £70k, reduce the lease liability by £60k and remove the entry in the statement of changes in equity.

The effect of the above has been to incresae the reported loss for the six month period to 30 June 2019 by £456k to £3,308k

2. Revenue

2.1 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.

	Unaudited six months ended 30 June 2020	Unaudited restated six months ended 30 June 2019	Audited full year ended 31 Dec 2019
	£'000	£'000	£'000
Revenue			
Licensing	**1,626**	3,495	5,341
Content	**1,063**	1,306	2,390
Creative	**408**	790	1,572
Total	**3,097**	5,591	9,303
Gross profit			
Licensing	**1,577**	3,359	4,993
Content	**201**	193	469
Creative	**262**	380	835
Total	**2,040**	3,932	6,297
Operating profit attributable to revenue streams			
Licensing	**1,699**	3,668	5,553
Content	**193**	186	447
Creative	**259**	345	830
Total	**2,151**	4,199	6,830
Other income (unattributable)	**59**	269	103
Amortisation of right to use of asset	**(69)**	(227)	(415)
Corporate expenses	**(3,032)**	(7,509)	(12,155)
Financing income & costs	**(54)**	(65)	(172)
Taxation	**0**	(33)	(3)
Loss for the year	**(945)**	(3,366)	(5,812)

Notes to the interim results

Six months ended 30 June 2020 (unaudited)

2.2 Geographical information

	Revenue			Non-current assets		
	Unaudited six months ended 30 June 2020	Unaudited restated six months ended 30 June 2019	Audited full year ended 31 Dec 2019	**Unaudited 30 Jun 2020**	Unaudited restated 30 Jun 2019	Audited 31 Dec 2019
	£'000	£'000	£'000	**£'000**	£'000	£'000
Continuing operations						
United Kingdom	**1,049**	1,680	2,977	**85**	1,614	1,372
Europe	**805**	1,660	2,915	**0**	0	0
Rest of World	**1,243**	2,251	3,411	**0**	0	0
	3,097	5,591	9,303	**85**	1,614	1,372

2.3 On-going operations

	Unaudited six months ended 30 June 2020	Unaudited restated six months ended 30 June 2019*	Var	Var
	£'000	£'000	£'000	£'000
Revenue				
Licensing	**1,626**	**2,381**	(755)	-32%
Content	**1,063**	**1,306**	(243)	-19%
Creative	**408**	**790**	(382)	-48%
Total	**3,097**	**4,477**	(1,380)	-31%
Gross profit				
Licensing	**1,577**	**2,301**	(724)	-31%
Content	**201**	**193**	8	4%
Creative	**262**	**380**	(118)	-31%
Total	**2,040**	**2,874**	(834)	-29%
Gross profit%				
Licensing GP%	**97%**	**97%**		0%
Content GP%	**19%**	**15%**		4%
Creative GP%	**64%**	**48%**		16%
Total GP%	**66%**	**64%**		2%
Other Income	**193**	**269**	(76)	-28%
Corporate expenses	**(3,142)**	**(6,441)**	3,299	-51%
Adjusted EBITDA	**(909)**	**(3,298)**	2,389	-72%

*the above 2019 numbers exclude Juke sales and TDC settlement in 2019

Notes to the interim results

Six months ended 30 June 2020 (unaudited)

3. Other income

	Unaudited six months ended 30 June 2020	Unaudited restated six months ended 30 June 2019	Audited full year ended 31 Dec 2019
	£'000	£'000	£'000
Research and development tax credits receivable	**59**	160	103
Income from termination agreement with Customers	**134**	1,000	1,000
Income received from sale of domain names not capitalised	**0**	109	0
	193	1,269	1,103

4. Operating loss for the year

	Unaudited six months ended 30 June 2020	Unaudited restated six months ended 30 June 2019	Audited full year ended 31 Dec 2019
	£'000	£'000	£'000
Net foreign exchange loss	**54**	21	238
Amortisation of intangibles	**2**	285	228
Amortisation of right to use of asset	**69**	227	415
Depreciation of property, plant & equipment (i)	**21**	250	77
(Profit)/loss on sale of fixed assets	**(378)**	(13)	(125)
Bad debt provisions and write offs	**0**	591	609
Share based payment expense	**88**	43	239
Staff costs	**1,937**	3,612	5,435

Underlying adjusted administrative costs
The underlying adjusted administrative costs reflect the impact of capitalizing R&D costs in prior year and the removal of the 2019 other adjusting items:

	Unaudited six months ended 30 June 2020	Unaudited restated six months ended 30 June 2019	Change	Change
	£'000	£'000	£'000	%
Administrative expenses	**(3,124)**	(8,442)	5,318	-63%
Other adjusting items (see note 5)	**0**	937	(937)	
Administrative expenses - adjusted	**(3,124)**	(7,505)	4,381	-58%

Notes to the interim results

Six months ended 30 June 2020 (unaudited)

5. Other adjusting items

	Unaudited six months ended 30 June 2020	Unaudited restated six months ended 30 June 2019	Audited full year ended 31 Dec 2019
	£'000	£'000	£'000
Costs/impairment relating to closure of Denmark business	**0**	(134)	(254)
Development costs expensed on legacy Denmark platform	**0**	(198)	(162)
Corporate restructuring provision	**0**	(321)	(694)
Professional fees relating to contingency planning & fund raising	**0**	(284)	(464)
Legal provision	**0**	0	(228)
	0	(937)	(1,802)

During the six months to 30 June 2020 there were no other adjusting iitems.

6. Finance income and charges

		Unaudited six months ended 30 June 2020	Unaudited restated six months ended 30 June 2019	Audited full year ended 31 Dec 2019
		£'000	£'000	£'000
Other income		**0**	13	0
Interest expenses on leased liability		**(17)**	(91)	(148)
Shareholders interest payable		**0**	(7)	(7)
Finance costs		**(9)**	1	(17)
Loan interest	11	**(25)**	0	0
Other charges similar to interest		**(3)**	(8)	0
		(54)	(92)	(172)

7. Earnings per share

	Unaudited six months ended 30 June 2020	Unaudited restated six months ended 30 June 2019	Audited full year ended 31 Dec 2019
Basic and Diluted EPS			
Loss attributable to Share Holders (£'000)	**(945)**	(3,366)	(5,812)
Weighted average number of shares (Nos)	**2,455,419,294**	436,816,663	1,244,214,336
Per share amount (pence)	**(0.04)**	(0.77)	(0.47)

Notes to the interim results

Six months ended 30 June 2020 (unaudited)

8. Intangible assets

	Bespoke applications	Finance application	Customer List	Goodwill	**Intangible assets**
	£'000		£'000	£'000	**£'000**
Cost					
At 31 December 2018	9,018	0	509	688	10,215
Disposals	(3,569)	0	0	0	(3,569)
At 30 June 2019	5,449	0	509	688	6,646
Disposals	(2,244)	0	(509)	(688)	(3,441)
At 31 December 2019	3,205	0	0	0	3,205
Additions	0	57	0	0	57
At 30 June 2020	**3,205**	**57**	**0**	**0**	**3,262**
Depreciation					
At 31 December 2018	7,843	0	509	688	9,040
Charge for period	285	0	0	0	285
Disposals	(2,679)	0	0	0	(2,679)
At 30 June 2019	5,449	0	509	688	6,646
Charge for period	(57)	0	0	0	(57)
Impairment losses	(2,187)	0	(509)	(688)	(3,384)
At 31 December 2019	3,205	0	0	0	3,205
Charge for period	0	2	0	0	2
At 30 June 2020	**3,205**	**2**	**0**	**0**	**3,207**
Net book value					
At 30 June 2020	**0**	**55**	**0**	**0**	**55**
At 30 June 2019	0	0	0	0	0
At 31 December 2019	0	0	0	0	0

Notes to the interim results
Six months ended 30 June 2020 (unaudited)

9. Tangible assets

	Property	Computer equipment	Fixtures and fittings	**Tangible assets**
	£'000	£'000	£'000	**£'000**
At 31 December 2018	404	1,977	125	2,506
Disposals	0	0	0	0
At 30 June 2019	404	1,977	125	2,506
Disposals		(443)	(5)	(448)
At 31 December 2019	404	1,534	120	2,058
Disposals	(404)	0	0	(404)
At 30 June 2020	**0**	**1,534**	**120**	**1,654**
Depreciation				
At 31 December 2018	404	1,849	125	2,378
Charge for period	0	23	0	23
Disposals	0	0	0	0
At 30 June 2019	404	1,872	125	2,401
Charge for period	0	54	0	54
Disposals	0	(443)	(5)	(448)
At 31 December 2019	404	1,483	120	2,007
Charge for period	0	21	0	21
Disposals	(404)	0	0	(404)
At 30 June 2020	**0**	**1,504**	**120**	**1,624**
Net book value				
At 30 June 2020	**0**	**30**	**0**	**30**
At 30 June 2019	0	105	0	105
At 31 December 2019	0	51	0	51

Notes to the interim results
Six months ended 30 June 2020 (unaudited)

10. Trade and other receivables

	Unaudited 30 Jun 2020	Unaudited restated 30 Jun 2019	Audited 31 Dec 2019
	£'000	£'000	£'000
Trade Debtors	**1,796**	2,288	1,851
Provision for doubtful debts	**(914)**	(999)	(1,014)
Net trade receivables	**882**	1,289	837
Prepayments	**3**	38	0
Other Debtors	**177**	230	382
R&D credits receivable	**138**	399	412
	1,200	1,956	1,631
Non - current			
Other Debtors	**15**	0	0
	1,215	1,956	1,631

11. Trade and other payables

	Unaudited 30 Jun 2020	Unaudited restated 30 Jun 2019	Audited 31 Dec 2019
	£'000	£'000	£'000
Current			
Trade Creditors	**2,918**	4,322	3,101
Accrued Costs	**3,008**	4,042	2,669
Other Taxes and Social Security	**1,250**	380	565
Other Creditors	**616**	1,106	674
Loans	**333**	0	0
	8,125	9,850	7,009

	£'000	£'000	£'000
Non-current			
Other payables	**536**	652	676
	536	652	676

On 6 March 2020, a loan of £500k was received from CSS Alpha; it is repayable over 12 equal monthly installments starting from 27 Match 2020 along with interest calculated at 1.5% of the outstanding balance. Up to 30 June 2020, 4 monthly payments had been made together with a total interest of £25k.

In March 2016 the Group acquired Snowite SAS (now 7digital France SAS). As part of the acquisition it negotiated a reduction in the amount of some of the existing liabilities within Snowite SAS, at the time of the purchase, to €1.7m (£1.5m). Terms of repayment were also agreed to be over 8 years starting on 7th April 2017. For the first two years repayments were set at 8% of the debt and then at 14% for each year thereafter. No interest is payable. The parent company has guaranteed the repayments of £0.2m as at 30 June 2020.

A total amount of £0.9m remains repayable under this agreement at the balance sheet date. Of this balance, £0.5m falls due for repayment after more than one year. On 16 September 2020 the Group received confirmation £0.7m (£0.2m included in current and £0.5m non-curent) was forgiven by the French authorities.

12. Rights of use of asset and lease liability

The group leased a property that originally ran until April 2023. The value of the lease and the right to use asset has been determined based on the rental payments relating to the period 1 January 2019 to April 2023.

In February 2020, on agreement with the landlord the lease was terminated, and the Group vacated the premises. The disposal of the assets and associated liability resulted in a profit on sale of fixed assets of £252k.

Right of use of asset

	Land and buildings
	£'000
Cost	
At 31 December 2018	0
Additions under IFRS 16	2,273
At 30 June 2019	2,273
IFRS16 correction	(537)
At 30 June 2019 - restated	1,736
At 31 December 2019	1,736
Disposals	(1,736)
At 30 June 2020	**0**
Depreciation	
At 31 December 2018	0
Additions under IFRS 16	341
Charge for period	227
At 30 June 2019	568
IFRS16 correction	(341)
At 30 June 2019 - restated	227
Charge for period	188
At 31 December 2019	415
Charge for period	69
Disposals	(484)
At 30 June 2020	**0**
Net book value	
At 30 June 2020	**0**
At 30 June 2019	1,509
At 31 December 2019	1,321

Notes to the interim results

Six months ended 30 June 2020 (unaudited)

Lease liability

	Leased asset
At 31 December 2018	0
Additions under IFRS 16	2,090
Interest expense	49
Lease payments	(166)
At 30 June 2019	1,973
IFRS16 correction	(228)
IFRS16 correction	36
IFRS16 correction	(45)
At 30 June 2019 - restated	1,736
Interest expense	63
Lease payments	(141)
At 31 December 2019	1,658
Interest expense	17
Lease payments	(45)
Disposals	(1,630)
At 30 June 2020	**0**

On 12 August 2020, following the termination of the old lease, a new lease agreement was signed with Labs relating to a property in Camden, NW1. The initial period of the agreement is for 35 months starting from 1 July 2020, with a total cost of £1.4m.

13. Provisions for liabilities and charges

	Unaudited 30 Jun 2020	Unaudited restated 30 Jun 2019	Audited 31 Dec 2019
	£'000	£'000	£'000
Current			
Dilapidation provision	**0**	0	125
Provision for closure of business	**288**	144	309
Legal provision	**228**	0	228
Other provision	**114**	25	106
	630	169	768
	£'000	£'000	£'000
Non-current			
Dilapidation provision	**0**	125	0
	0	125	0

In February 2020, on agreement with the landlord the lease was terminated, and the Group vacated the premises The dilapidation provision was no longer required.

Notes to the interim results

Six months ended 30 June 2020 (unaudited)

14. Share capital and share premium account

	Unaudited 30 Jun 2020	Unaudited restated 30 Jun 2019	Audited 31 Dec 2019
	No. of shares	No. of shares	No. of shares
Allotted, called up and fully paid:			
Ordinary shares of 0.01p each	**2,455,419,294**	-	2,455,419,294
Ordinary share of £0.01 each	-	399,556,701	-
Deferred share of 0.99p each	**419,622,489**	-	419,622,489
Deferred share of £0.09 each	**115,751,517**	115,751,517	115,751,517
	£'000	£'000	£'000
Allotted, called up and fully paid	**14,817**	14,711	14,817

15. Related party transactions

During the six month period, the Group invoiced and recognised £89k (31 December 2019: £175k) of revenue to eMusic (a subsidiary of TriPlay Inc.), a group which Tamir Koch is a director. At 30 June 2020, the Group was owed £299k (31 December 2019: £209k); £164k of this amount has been provided for at the year end.

During the six month period, the Group paid £9.8k (2018: £9.6k) to MIDiA Research for music market research services, a company of which Mark Foster is a director. At 30 June 2019, the Group owed £4.9k (31 December 2018: £6.4k).

16. Post balance sheet event

On 12 August 2020, following the termination of the old lease, a new lease agreement was signed with Labs relating to a property in Camden, NW1. The initial period of the agreement is for 35 months starting from 1 July 2020, with a total cost of £1.4m.

On 3 September 2020, 7digital annouced the placing of 266,666,667 new Ordinary Shares of 0.01p each, which raised £6m at an issue price of 2.25 pence per share. The net proceeds of the fundraising will be used to meet the immediate working capital requirements of the Group and support immediate and medium term commercial growth opportunities, in particular within home fitness, artist monetisation, and social media.

On 16 September 2020 the Group received confirmation that £676k (as detailed in note 11 above) was forgiven by the French authorities.

On 28 September 2020, the Group secured a £1m revolving credit facility with Investec, this attracts 6% interest above Investec bank rate on the drawn portion of the facilty and 2% on the undrawn portion.

The rapid spread of the coronavirus and resulting COVID-19 global pandemic has had a small impact on the Group, primarily on cash-in; management have taken action to mitigate and minimise the effect. The Group was already fully operational from home as a result of existing infrastructure. 7digital is now showing strong commercial momentum, a clearer and more defined strategy with significant refinancing.