28 September 2022

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

7digital (AIM: 7DIG), the global leader in B2B end-to-end digital music solutions, announces its interim results for the six months ended 30 June 2022.

Financial Highlights

- Total revenue increased by 21% to £3.9m (H1 2021: £3.3m), including licensing revenue growth of 45% to £2.5m (H1 2021: £1.7m)
- Gross margin improved to 70.2% (H1 2021: 62.6%)
- Achieved adjusted positive EBITDA of £0.03m (H1 2021: loss of £1.0m)*
- Operating loss reduced to £0.2m (H1 2021: £1.9m)
- Cash and cash equivalents of £0.03m as at 30 June 2022 (H1 2021: £0.5m); as at 27 September 2022, cash and cash equivalents were £0.6m**

** Adjusted to exclude other adjusting items, amortisation, foreign exchange, depreciation and share-based payments (see note 5 to the financial statements)*
*** Including fundraising announced on 23 September 2022*

Operational Highlights

- Secured 5 new licensing customers and 3 contract expansions or extensions, including:
  - A new contract worth at least £1m with a pan-Asian consumer services company
  - A contract expansion worth at least €2.2m with a B2B music streaming service
  - Further progress in social media industry with a new two-year contract with Lomotif, one of the top worldwide social video-sharing apps
- Sustained ramp-up in licensing revenue post period; as at 27 September 2022 the total contracted licensing revenue for full year 2022 is 43% greater than that generated in 2021

Paul Langworthy, CEO of 7digital, said:

"This was a great six months for 7digital. We delivered strong revenue growth and achieved adjusted EBITDA profitability as the new and expanded contracts we won last year and in the early part of this year began to ramp up. We continued to win new customers and sign renewals with existing customers, many of which are multi-year agreements. Some of these deals also include significant usage terms, which we expect to drive further increases in revenue as these clients scale their own services.

"We entered the second half of the year delivering against a strong contracted order book and with a solid new business pipeline. The business has already secured a 43% increase in contracted platform licensing revenue for FY 2022 over FY 2021. As a result, we are on track to deliver strong revenue growth for 2022 and we look forward to reporting on our further progress."

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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 and extensive global music rights used to create music streaming and radio services for a diverse range of customers - including consumer brands, mobile carriers, broadcasters, automotive systems, record labels and retailers. 7digital also offers radio production and music curation services, editorial strategy and content management expertise.

7digital fosters industry growth and innovation by simplifying access to music for clients. From years of being the largest independent producer of programming for the BBC and powering services for partners like 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 six months to 30 June 2022 was a strong period for the Group as it delivered a significant increase in revenue to £3.9m (H1 2021: £3.3m) and achieved adjusted EBITDA profitability of £0.03m (H1 2021: loss of £1.0m). This growth was driven by the Group's licensing business, based on new customers won in the prior year coming on stream as well as contract renewals and expansions with existing customers during the period. The Group also continued to win new licensing customers. Many of these new and renewed contracts are multi-year agreements, which enhances visibility over future revenues.

During the period, the Group secured 5 new licensing customers, which included a new two-year contract worth at least £1m with a pan-Asian consumer services company. The new customer will be using several unique services provided by 7digital's music-as-a-service platform, which was selected after a competitive tender, to deliver an app-based music streaming service to enhance its engagement with its customers.

In further success in the social media industry, one of the Group's core target segments, 7digital won a new two-year contract with Singapore-based Lomotif, one of the top worldwide social video-sharing apps. The Group's music-as-a-service platform will provide music used by creators in the Lomotif app globally. The initial contract will cover licenced major label content in the app's current territories and will accommodate expansion in content from newly licenced labels as well as usage. As such, this contract also reflects the increasing transitioning of the Group's pricing model to align revenue with usage that expands as the customer grows.

The Group signed a long-term contract with Utopia Music AG, a B2B music fintech company that exists to build technology and data accounting to improve the way the music industry pays royalties to the creators for the music copyrights consumption, as well as a two-year contract with a new music and data B2B platform designed to better meet the monetisation needs of the rightsholder community. Using 7digital's global music database capabilities, in addition to Utopia's existing data capabilities, Utopia's customers will be able to monitor and measure the consumption of their music copyrights globally. In so doing, Utopia's customers can leverage data for faster, more accurate payouts of royalties to copyright holders.

In progress with existing licensing customers, the Group secured 3 contract renewals or expansions during the first half of the year (H1 2021: 4), reflecting the value of 7digital's platform and services to its customers. This included a contract expansion with a B2B music streaming service customer, worth a minimum of €2.2m over a three-year period. 7digital has been providing services to the customer since 2016, with contract renewals on an annual basis. This latest contract expands the relationship to a long-term agreement, providing the Group with greater visibility over revenue.

Outside of licensing, eMusic Live, the Company's live streaming platform in partnership with eMusic.com, livestreamed Hangout Music Festival and Cali Vibes Festival, festivals of the world's largest entertainment company, AEG Presents. eMusic Live also livestreamed the iHeartCountry Festival of iHeartMedia, the largest audio company in the US. At the end of the period, as announced on 30 June 2022, the Group entered into an agreement with eMusic.com that expands 7digital's potential revenue generating opportunities with eMusic Live to include a portion of net revenue derived from all activity on the platform rather than just from providing the digital music tracks for download in the eMusic Live experience. The Group does not, however, anticipate generating revenue under this new agreement in the current year.

Board Changes

As announced on 23 September 2022, Mark Foster, who has been a Non-executive Director of the Group since April 2015, has been appointed Interim Chairman following the resignation of Tamir Koch, who stepped down from his role as Chairman to focus more time on the development of eMusic Blockchain. Tamir Koch remains on the Board as a Non-executive Director. Alongside this, and as described further in the Financial Review below, the Group has terminated the loan that had previously been secured with Tamir Koch, as announced on 30 June 2022, with no accrual of interest.

Financial Review

Revenue for the first half of 2022 increased by 21% to £3.9m compared with £3.3m for the first half of the prior year, reflecting significant growth in licensing revenue and good growth in content revenue. Licensing revenue continued to be the largest contributor to Group revenue, accounting for 63% (H1 2021: 52%), with 30% provided by Content (H1 2021: 32%) and 7% by Creative (H1 2021: 16%). The reduction in creative revenue, which was more than offset by the growth elsewhere in the business, is primarily due to H1 2021 benefitting from a rollover of projects that had been delayed due to COVID-19. As at 30 June 2022, the Group had deferred licensing revenue relating to set up fees of £345k of which £183k is expected to be received by the Group in H2 2022, £131k in the year ending 31 December 2023 and £31k in future periods.

Gross margin for the first half of 2022 improved substantially to 70.2% (H1 2021: 62.6%), reflecting the higher margin nature of the Group's licensing business. Gross profit for the period increased to £2.8m (H1 2021: £2.0m), reflecting the increase in revenue and gross margin.

Adjusted administrative expenses were reduced by 11% to £2.7m (H1 2021: £3.1m). This decrease of £0.3m was attributable to salary savings of £0.2m and a reduction in bad debt provision of £0.1m.

The Group achieved a substantial reduction in operating loss of 87% to £0.2m (H1 2021: £1.8m), which is primarily a combination of:

- £0.7m increase in revenue;
- £0.3m reduction in adjusted administrative expenses;
- £0.1m reduction in depreciation and amortisation due to the removal of right-of-use assets;
- £0.2m decrease in share-based payments; and
- £0.1m reduction in both non-operating expenses and FX expenses.

As a result, the Group achieved adjusted EBITDA profitability of £0.03m compared with a loss of £1.0m for the first half of the prior year (adjusted for other adjusting items, amortisation, foreign exchange, depreciation and share-based payments).

Loss per share was 0.01 pence (H1 2021: 0.07 pence loss).

As at 30 June 2022, the Group had cash and cash equivalents of £0.03m (30 December 2021: £0.4m). Post period, the Group has received £0.5m in the form of a loan, as announced on 23 September 2022, from Magic Investments S.A., a significant shareholder represented by David Lazarus who is a Non-executive Director of the Group, that has been fully drawn. Alongside entering the new loan, and as noted above, the Group terminated a shareholder loan that had been previously secured with Tamir Koch, as announced on 30 June 2022. The Group will fully repay the £50k that had been drawn under the loan from Tamir Koch, which has been terminated with no accrual of interest. As at 27 September 2022, the Group had cash and cash equivalents of £0.6m.

Outlook

7digital entered the second half of 2022 with a strong contracted order book as well as a solid new business pipeline, some of which has transitioned to contract since period end. Accordingly, the Group is on track to deliver strong total revenue growth for the full year.

The licensing business is expected to continue to be the key contributor to Group revenue and to drive growth. Contracted licensing revenue for full year 2022 is 43% higher than that generated in 2021. The Group also expects content and creative revenue to remain constant year-on-year.

As a result, the Board remains confident in 7digital's prospects and looks forward to reporting on the Company's progress.

CONSOLIDATED INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME
SIX MONTHS ENDED 30 JUNE 2022 (unaudited)

	Notes	**Unaudited six months ended 30 June 2022 £'000**	Unaudited six months ended 30 June 2021 £'000	Audited full year to 31 Dec 2021 £'000
Continuing operations				
Revenue	2	**3,941**	3,270	6,732
Cost of sales		**(1,172)**	(1,222)	(2,409)
Gross profit		**2,769**	2,048	4,323
Administrative expenses		**(3,002)**	(3,895)	(7,969)
Adjusted operating loss	5	**(116)**	(1,320)	(2,527)
- Share-based payments	18	**(126)**	(359)	(556)
- Foreign exchange		**41**	(62)	(54)
- Other adjusting items	3	**(32)**	(106)	(509)
Operating loss	4	**(233)**	(1,847)	(3,646)
Finance income and costs	7	**(97)**	(62)	(273)
Loss before income tax		**(330)**	(1,909)	(3,919)
Taxation on continuing operations		**-**	-	-
Loss from continuing activities		**(330)**	(1,909)	(3,919)
Profit from discontinued operations		**-**	-	-
Loss for the period attributable to owners of the parent company		**(330)**	(1,909)	(3,919)
Loss per share (pence)				
Basic and diluted - loss from continuing operations	8	**(0.01)**	(0.07)	(0.14)
Basic and diluted - loss attributable to ordinary equity holders	8	**(0.01)**	(0.07)	(0.14)

Consolidated Statement of Comprehensive Income

	Unaudited six months ended 30 June 2022 £'000	Unaudited six months ended 30 June 2021 £'000	Audited full year to 31 Dec 2021 £'000
Loss for the period	**(330)**	(1,909)	(3,919)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations	**225**	(17)	5
Other comprehensive loss	**(105)**	(1,926)	(3,914)
Total comprehensive loss attributable to owners of the parent company	**(105)**	(1,926)	(3,914)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
30 JUNE 2022 (unaudited)

	Notes	**Unaudited 30 June 2022 £'000**	Unaudited 30 June 2021 £'000	Audited 31 Dec 2021 £'000
Assets				
Non-current assets				
Intangible assets	9	**703**	415	559
Property, plant and equipment	10	**96**	88	114
Right-of-use assets	11	**-**	1,026	-
		799	1,529	673
Current assets				
Trade and other receivables	12	**1,422**	986	698
Contract assets		**86**	148	70
Cash and cash equivalents		**28**	513	363
		1,536	1,647	1,131
Total assets		**2,335**	3,176	1,804
Current liabilities				
Trade and other payables	13	**(5,482)**	(3,982)	(4,781)
Derivative liability		**(51)**	(46)	(46)
Contract liabilities		**(454)**	(238)	(288)
Lease liability	11	**-**	(510)	-
Loans and borrowings	14	**(50)**	-	-
Provisions for liabilities and charges	15	**(533)**	(737)	(697)
		(6,570)	(5,513)	(5,812)
Net current liabilities		**(5,034)**	(3,866)	(4,681)
Non-current liabilities				
Loans and borrowings	14	**(2,000)**	(1,000)	(2,000)
Contract liabilities		**(67)**	(140)	(77)
Lease liability	11	**-**	(752)	-
Provisions for liabilities and charges	15	**-**	(42)	-
		(2,067)	(1,934)	(2,077)
Total liabilities		**(8,637)**	(7,447)	(7,889)
Net liabilities		**(6,302)**	(4,271)	(6,085)
Equity				
Share capital	16	**14,844**	14,844	14,844
Share premium account		**17,705**	17,705	17,705
Other reserves		**(3,248)**	(3,557)	(3,361)
Retained earnings		**(35,603)**	(33,263)	(35,273)
Total deficit		**(6,302)**	(4,271)	(6,085)

CONSOLIDATED CASHFLOW STATEMENT
SIX MONTHS ENDED 30 JUNE 2022 (unaudited)

	Notes	**Unaudited six months ended 30 June 2022 £'000**	Unaudited six months ended 30 June 2021 £'000	Audited full year to 31 Dec 2021 £'000
Loss for the period		**(330)**	(1,909)	(3,919)
Adjustments for:				
Taxation		**-**	-	-
Finance Cost	7	**97**	62	273
Profit on sale of fixed assets		**-**	-	5
Profit on disposal of subsidiary undertaking		**-**	-	-
Foreign exchange		**(41)**	62	54
Amortisation of intangible assets	9	**120**	57	173
Amortisation of right-of-use asset	11	**-**	203	328
Depreciation of fixed assets	10	**28**	28	54
Share-based payments	18	**126**	359	556
Increase in provisions	15	**(164)**	(188)	(932)
Decrease in accruals and deferred income		**209**	(99)	(155)
Decrease in trade and other receivables		**(740)**	299	672
Decrease in trade and other payables		**415**	(1,537)	(511)
Cash flows used in operating activities		**(280)**	(2,663)	(3,402)
Interest expense paid		**(97)**	(34)	(231)
Net cash used in operating activities		**(377)**	(2,697)	(3,633)
Investing activities				
Purchase of property, plant and equipment, and intangible assets		**(274)**	(204)	(516)
Net cash generated/(used) in investing activities		**(274)**	(204)	(516)
Financing activities				
Net proceeds from bank and shareholder loans	14	**50**	750	1,750
Principal paid on lease liabilities	11	**-**	(96)	(28)
Net cash generated from financing activities		**50**	654	1,722
Net decrease in cash and cash equivalents		**(601)**	(2,247)	(2,427)
Cash and cash equivalents at beginning period		**363**	2,839	2,839
Effect of foreign exchange rate changes		**266**	(79)	(49)
Cash and cash equivalents at end of period		**28**	513	363

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
SIX MONTHS ENDED 30 JUNE 2022 (unaudited)

	Share capital	Share premium account	Share-based payment reserve	Other reserves	Retained earnings	Total
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 January 2021	14,844	17,705	461	(4,360)	(31,354)	(2,704)
Loss for the period	-	-		-	(1,909)	(1,909)
Other comprehensive loss for the period	-	-		(17)	-	(17)
Share-based payments	-	-	359	-	-	359
At 30 June 2021 - reported	**14,844**	**17,705**	**820**	**(4,377)**	**(33,263)**	**(4,271)**
Loss for the period	-	-	-	-	(2,010)	(2,010)
Other comprehensive loss for the period	-	-	-	22	-	22
Share-based payments	-	-	144	-	-	144
Share warrants	-	-	30	-	-	30
At 31 December 2021 - reported	**14,844**	**17,705**	**994**	**(4,355)**	**(35,273)**	**(6,085)**
Loss for the period	-	-	-	-	(330)	(330)
Other comprehensive loss for the period	-	-	-	225	-	225
Share-based payments	-	-	(112)	-	-	(112)
At 30 June 2022	**14,844**	**17,705**	**882**	**(4,130)**	**(35,603)**	**(6,302)**

NOTES TO THE INTERIM RESULTS
SIX MONTHS ENDED 30 JUNE 2022 (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 2022.

The information for the six months ended 30 June 2021 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. The information for the year ending 31 December 2021 is taken from the Annual Reports and Financial Statements 2021 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 2021.

Going concern
The Group made a loss before/after tax of £330k for the period (2021: £1,909k) and at the period-end had a net current liability position of £5,034k (December 2021: £4,681k). The Directors note that the Group has generated positive adjusted EBITDA since May 2022 to date and are optimistic that the Group will achieve its forecast revenue for the remainder of 2022 and for 2023.

£0.5m funding was received in September 2022 from David Lazarus, a major shareholder and director. In addition, certain existing shareholders will continue to provide support of up to £4m to the Group, enabling the Group to continue trading as a going concern. The shareholders who have pledged their support will provide this support as and when the Group requires it to ensure there is sufficient cash over a period of at least 12 months from 30 June 2022. On this basis, the Directors have prepared the financial statements on a going concern basis.

Revenue
The Group comprises of mainly three types of revenues
1) Licensing 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*** 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 30 days.

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 the 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 programme 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.

Contracts with multiple performance obligations
Many of the Group's contracts include a variety of performance obligations, including Licensing 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 licence 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 Licensing revenue are (B2B):

- The licences 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 Licensing 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 period (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 the 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.

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 Licensing 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 period.

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:

- 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.

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	- 33.33% 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.

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.

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
The API platform has the ability to analyse the usage reports derived from download sales and which are distributed to the publishers on a quarterly basis. These usage reports assist management in calculating publisher cost of sales and publisher accruals. There is some uncertainty with regards the publisher accrual as publisher costs are based on complex annual calculations taking into account market share which are primarily determined by the publishing suppliers. Management considers the usage reports for the publisher element to be the most effective method of determining the true cost of publisher content. Using data usage reports, historical invoicing patterns and supplier confirmations, management have determined that there was no adjustment for prior periods.

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.

Capitalsation 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.

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 2022 £'000	Unaudited six months ended 30 June 2021 £'000	Audited full year to 31 Dec 2021 £'000
Revenue			
Licensing	**2,489**	1,713	3,797
Content	**1,182**	1,033	2,073
Creative	**270**	524	862
Total	**3,941**	3,270	6,732
Gross profit			
Licensing	**2,394**	1,580	3,512
Content	**197**	156	334
Creative	**177**	312	477
Total	**2,768**	2,048	4,323
Operating profit attributable to revenue streams			
Licensing	**2,252**	1,503	3,308
Content	**192**	151	318
Creative	**175**	309	470
Total	**2,619**	1,963	4,096
Amortisation of right to use of asset	**-**	(203)	(328)
Corporate expenses	**(2,852)**	(3,607)	(7,414)
Financing income & costs	**(97)**	(62)	(273)
Taxation	**-**	0	0
Loss for the period	**(330)**	(1,909)	(3,919)

2.2. Geographical information

	Revenue		
	Unaudited six months ended 30 June 2022 £'000	Unaudited six months ended 30 June 2021 £'000	Audited full year to 31 Dec 2021 £'000
Continuing operations			
United Kingdom	**688**	922	1,674
United States of America	**1,544**	1,026	2,229
Europe	**1,151**	1,011	2,018
Rest of World	**558**	311	811
	3,941	3,270	6,732

2.3. On-going operations

	Unaudited six months ended 30 June 2022 £'000	Unaudited six months ended 30 June 2021 £'000	Var £'000	Var %
Revenue				
Licensing	**2,489**	1,713	776	45%
Content	**1,182**	1,033	149	14%
Creative	**270**	524	(254)	-48%
Total	**3,941**	3,270	671	21%
Gross profit				
Licensing	**2,394**	1,580	814	52%
Content	**197**	156	41	26%
Creative	**177**	312	(135)	-43%
Total	**2,768**	2,048	720	35%
Gross profit%				
Licensing	**96%**	92%		4%
Content	**17%**	15%		2%
Creative	**66%**	60%		6%
Total	**70%**	63%		7%
Corporate expenses	**(2,736)**	(3,080)	344	-11%
Adjusted EBITDA	**32**	(1,032)	1,064	-103%

3. Other adjusting items

	Unaudited six months ended 30 June 2022 £'000	Unaudited six months ended 30 June 2021 £'000	Audited full year to 31 Dec 2021 £'000
Consultancy costs	**-**	-	(153)
Provision for uncertain recoverability of cash advances	**-**	-	(112)
Exceptional legal fees	**(32)**	(43)	(93)
Corporate restructuring provision	**-**	(63)	(65)
Technology provision	**-**	-	(86)
	(32)	(106)	(509)

4. Operating loss

	Unaudited six months ended 30 June 2022 £’000	Unaudited six months ended 30 June 2021 £’000	Audited full year to 31 Dec 2021 £’000
Net foreign exchange (profit)/loss	**(41)**	62	54
Amortisation of intangible assets	**120**	57	173
Amortisation of right to use asset	**-**	203	328
Depreciation of property, plant & equipment	**28**	28	54
Profit on sale of right-of-use asset	**-**	-	5
Share-based payment expense	**126**	359	556

5. 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 period. Therefore, the directors have used certain alternative performance measures (APMs) 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.

Reconciliation of adjusted operating loss and adjusted EBITDA profit/loss:

	Unaudited six months ended 30 June 2022 £'000	Unaudited six months ended 30 June 2021 £'000	Audited full year to 31 Dec 2021 £'000
Statutory operating loss	**(233)**	(1,847)	(3,646)
Other adjusting items	**32**	106	509
Foreign exchange	**(41)**	62	54
Share-based payment expense	**126**	359	556
Adjusted operating loss	**(116)**	(1,320)	(2,527)
Profit on sale of right-of-use asset	**-**	-	5
Depreciation and amortisation	**148**	288	382
Adjusted EBITDA profit/loss	**32**	(1,032)	(2,140)

6. Staff costs

	Unaudited six months ended 30 June 2022	Unaudited six months ended 30 June 2021	Audited full year to 31 Dec 2021
	No.	No.	No.
Number of production, R&D, and sales staff	**37**	43	39
Number of management and administrative staff	**14**	14	12
	51	57	51

	£’000	£’000	£’000
Wages and salaries	**1,656**	1,683	3455
Redundancy payments	**-**	63	63
Social security costs	**186**	197	364
Other pension costs	**53**	55	109
Share-based payments	**126**	359	556
	2,021	2,357	4,547

7. Finance income and charges

	Unaudited six months ended 30 June 2022	Unaudited six months ended 30 June 2021	Audited full year to 31 Dec 2021
	£'000	£'000	£'000
Interest receivable	**-**	-	7
Interest expenses on leased liability	**-**	(28)	(49)
Other charges similar to interest	**(97)**	(34)	(231)
Finance costs	**(97)**	(62)	(273)

8. Earnings per share

	Unaudited six months ended 30 June 2022	Unaudited six months ended 30 June 2021	Audited full year to 31 Dec 2021
Basic and Diluted EPS			
Loss attributable to shareholders - continuing operations: (£'000)	**(330)**	(1,909)	(3,919)
Weighted average number of shares (Nos)	**2,722,085,961**	2,722,085,961	2,722,085,961
Per share amount - continuing operations (pence)	**(0.01)**	(0.07)	(0.14)
Per share amount - loss attributable to ordinary equity holders (pence)	**(0.01)**	(0.07)	(0.14)

9. Intangible assets

	Bespoke applications £'000
Cost	
At 1 January 2021	3,522
Additions	185
At 30 June 2021	3,707
Additions	260
At 31 December 2021	3,967
Additions	264
At 30 June 2022	**4,231**
Amortisation	
At 1 January 2021	3,235
Charge for the period	57
At 30 June 2021	3,292
Charge for the period	116
At 31 December 2021	3,408
Charge for the period	120
At 30 June 2022	**3,528**
Net book value	
At 30 June 2022	**703**
At 30 June 2021	415
At 31 December 2021	559

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.

10. Tangible assets

	Computer equipment & capitalised software £'000
Cost	
At 1 January 2021	236
Additions	19
At 30 June 2021	255
Additions - restated	53
Disposals	(110)
At 31 December 2021 - restated	198
Additions	10
At 30 June 2022	**208**
Amortisation	
At 1 January 2021	139
Charge for the period	28
At 30 June 2021	167
Charge for the period - restated	27
Disposals	(110)
At 31 December 2021 - restated	84
Charge for the period	28
At 30 June 2022	**112**
Net book value	
At 30 June 2022	**96**
At 30 June 2021	88
At 31 December 2021	114

There was a misanalysis between additions and charge for the year in the 31 December 2021 financial statements; the net book value of £114k remains unchanged.

11. Leases

On 1 July 2020, the Group entered into a lease that was expected to run until August 2023. During 2021, the Group successfully negotiated an exit agreement in regard to this lease which required the Group to pay £500k as a settlement over 15 months to December 2022. The £500k settlement was shown in provisions for liabilities and charges and £105k remains un-invoiced at 30 June 2022 (see note 15).

As from October 2021, the Group is using service-office space on an as-and-when basis.

Right-of-use assets	**Land and buildings**
	£'000
At 1 January 2021	1,184
Addition	44
Amortisation	(202)
At 30 June 2021	1,026
Changes to initial lease	79
Disposal	(963)
Amortisation	(142)
At 31 December 2021	-
Disposal	-
Amortisation	-
At 30 June 2022	**-**

Lease liability	**Land and buildings**
	£'000
At 1 January 2021	1,330
Interest expense	28
Lease payments	(96)
At 30 June 2021	1,262
Changes to initial lease	109
Provision created on termination of property lease	(500)
Disposal	(958)
Interest expense	19
Lease payments	68
At 31 December 2021	-
Interest expense	-
Lease payments	-
At 30 June 2022	**-**
Analysed:	
Current	-
Non-current	-
Total	**-**

12. Trade and other receivables

	Unaudited 30 June 2022 £'000	Unaudited 30 June 2021 £'000	Audited 31 Dec 2021 £'000
Trade receivable for the sale of goods	**2,307**	1,569	1,721
Less: Provision for impairment of trade receivables	**(1,151)**	(972)	(1,173)
Net trade receivables	**1,156**	597	548
Other debtors	**146**	283	84
Total financial assets at amortised cost (excluding cash & cash equivalents)	**1,302**	880	632
Prepayments	**120**	106	66
Total trade and other receivables	**1,422**	986	698
Less: non-current portion - other debtors	**-**	(80)	-
Current portion	**1,422**	906	698

13. Trade and other payables

	Unaudited 30 June 2022 £'000	Unaudited 30 June 2021 £'000	Audited 31 Dec 2021 £'000
Current Liabilities			
Trade payables	**2,332**	1,102	1,752
Other taxes and social security	**1,460**	1,324	1,429
Other payables	**144**	20	107
Accrued costs	**1,546**	1,536	1,493
	5,482	3,982	4,781
Non-Current Liabilities			
Other payables	-	-	-
	-	-	-

14. Loans and borrowings

	Unaudited 30 June 2022 £'000	Unaudited 30 June 2021 £'000	Audited 31 Dec 2021 £'000
Bank loans repayable within one year	50	-	-
Bank loans repayable over one year	2,000	1,000	2,000

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. As at 30 June 2021 the whole facility had been drawn down. The total loan Interest, payable quarterly, is calculated at 6% above Investec bank rate on the drawn portion of the facilty and 2% on the undrawn portion. An arrangement fees of £30k was agreed and payable in 5,437,883 warrants.

On 18 October 2021, the Group secured a further £1m revolving loan facility with Investec for the period to 28 September 2023 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 fees of £30k was agreed, of which £4k was payable at the time of this draw down and £26k payable in 1,382,488 warrants. As at 31 December 2021 the whole facility had been drawn down during the year. The total loan Interest, payable quarterly, is calculated at 6% above Investec bank rate on the drawn portion of the facilty and 2% on the undrawn portion.

As at 30 June 2022, a total of £2,000k of capital and £31k interest (which is included in accrued costs) was due to Investec.

On 23 June 2022, the Group received £50k as part of a drawdown from the previously annouced shareholder loan. The amount will be refunded by the end of September 2022 as disclosed in the Group's announcement of 23 September 2022.

15. Provisions

	Unaudited 30 June 2022 £'000	Unaudited 30 June 2021 £'000	Audited 31 Dec 2021 £'000
Current			
Provision for closure of business	**49**	180	101
Legal provision	**-**	372	-
Property provision	**105**	-	225
Other provisions	**379**	227	371
	533	**779**	**697**
Of which is: current	**533**	737	697
Of which is: non-current	**-**	42	-

At 30 June 2022, the provision for closure of business of £49k relates to the French entity, which was liquidated on 16 September 2020; the balance is being paid off in four instalments of £10k to September 2022 and 3 instalments thereafter of £3k to December 2022.

During 2021, the Group successfully negotiated an exit agreement in regard to a lease signed in July 2020. The settlement required the Group to pay £500k over 15 months to December 2022. At 30 June 2022, £105k represents the final two payments of £52.5k each (net of VAT) due to be paid at end of September 2022 and December 2022. An extra £52.5k (£63k gross) is included in trade payables at 30 June 2022 and paid in July 2022.

At 30 June 2022, other provisions consist of £234k provision for technology costs that may become due and £145k payroll taxes on share options.

16. Share capital

	Unaudited 30 June 2022 No. of shares	Unaudited 30 June 2021 No. of shares	Audited 31 Dec 2021 No. of shares
Allotted, called up and fully paid:			
Ordinary shares of 0.01p each	**2,722,085,961**	2,722,085,961	2,722,085,961
Deferred shares of 0.99p each	**419,622,489**	419,622,489	419,622,489
Deferred shares of £0.09 each	**115,751,517**	115,751,517	115,751,517
	£'000	£'000	£'000
Allotted, called up and fully paid	**14,844**	14,844	14,844

17. Related party transactions

During the six month period, the Group invoiced and recognised £46k (31 December 2021: £100k) of revenue to eMusic (a subsidiary of TriPlay Inc.), a company of which Tamir Koch is a director. At 30 June 2022, the Group was owed £279k (31 December 2021: £208k), of which £208k was provided for at 30 June 2022 (31 December 2021: £208k).

During the six month period, the Group paid £nil (31 December 2021: £5.0k) to MIDiA Research for music market research services, a company of which Mark Foster is a director. At 30 June 2022, the Group owed £nil (31 December 2021: £nil).

During the period, the Group paid £nil (31 December 2021: £112k) to eMusic for the new venture eMusic Live. At 30 June 2022, the Group was owed £112k (31 December 2021: £112k) of which £112k (31 December 2021: £112k) was provided for.

During the period, the Group paid fees of £65k (31 December 2021: £252k) to MJ Advisory which is Michael Juskiewicz's personal service company based in the US. At 30 June 2022, the Group owed £13k (31 December 2021: £nil).

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

18. Share-based payments

On 27 May 2021, the Group granted 65,477,778 share options to all staff which were valued at £818k. 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:

	2021 Options
Share price at date of grant	1.13p
Exercise price	0.00p
Volatility	100%
Option life	10 yrs.
Risk-free interest rate	0.5%

The total expense recognised for the periods arising from equity-settled share-based payment transactions is summarised as below:

	Unaudited six months ended 30 June 2022 £'000	Unaudited six months ended 30 June 2021 £'000	Audited full year to 31 Dec 2021 £'000
Shares options	112	313	503
Employer contribution payable on share options	9	46	76
Provision made/(released) for shares to be issued for remuneration	5	-	(23)
	126	359	556

The share-based payment reserve is detailed below:

	Unaudited 30 June 2022 £'000	Unaudited 30 June 2021 £'000	Audited 31 Dec 2021 £'000
Shares options	**1,050**	820	938
Share warrants	**56**	-	56
	1,106	820	994

19. Post balance sheet events

On 23 September 2022, the Group entered into an agreement with Magic Investments S.A., a significant shareholder represented by David Lazarus who is a director of the Group, for a loan of £500k. The loan is repayable on or before 1 October 2023; attracts interest at 5% per annum, payable on a quarterly basis; the Principal Amount will be repayable in one lump sum on the Repayment Date; and is unsecured.

The funds will be used by the Group for working capital purposes and to fully repay the £50k previously drawn on a loan from Tamir Koch, announced on 30 June 2022, which has now been terminated with no accrual of interest.

20. Contingent liabilities

The Group does not have any contingent liabilities.