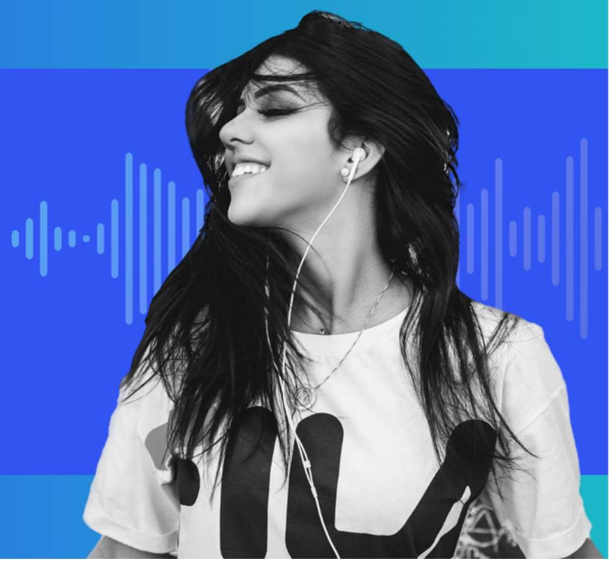
7digital

2021 ANNUAL REPORT

We help brands to build the best music experiences

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

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



Contents

2021 OVERVIEW

FINANCIAL SUMMARY

Year ended 31 December 2021

Group Revenue
£6.7 million
(2020: £6.5m)

Gross Margin
64.2 per cent
(2020: 63.4 per cent adjusted)
(see page 7 for details)

Adjusted EBITDA Loss
£2.0 million
(2020: £1.9m adjusted)
(see note 6 on page 52 for definition)

Gross Profit
£4.3 million
(2020: £4.1m adjusted)
(see page 7 for details)

Operating Loss
£3.6 million
(2020: £2.1m)

Loss Per Share
0.14 pence
(2020: 0.05p)

OPERATIONAL HIGHLIGHTS

- 11 NEW LICENSING CUSTOMERS SIGNED (2020: 5)
- SECURED 13 LICENSING CONTRACT EXTENSIONS AND EXPANSIONS (2020: 4)
- SUSTAINED PROGRESS WITH EMUSIC LIVE LIVESTREAM PLATFORM
- MUSIC-AS-A-SERVICE PLATFORM ENHANCED
- SUBSTANTIAL GROWTH IN CONTRACTED ORDER BOOK AND PIPELINE OVER THE YEAR

CHAIRMAN'S STATEMENT

Tamir Koch
Chairman

29 June 2022

2021 was a year in which we successfully executed on our strategy to focus on key verticals and consolidated our leading position across fitness & wellness and social media. Our market-leading music-as-a-service platform and strategic focus on core sectors enabled us to grow the number of customers licensing our technology as well as the scale and reach of our offering. As a result, we ended the year with a significantly higher contracted order book than we entered with. 2021 was also a year in which we further aligned ourselves with the interests of artists and consumers of their music, through our eMusic Live joint offering. The rise of livestreaming continues to gather pace and become mainstream with major players now entering the space. With eMusic Live, we are centrally positioned in this market, and it will take us towards our aim of becoming a leading platform providing end-to-end artist services beyond traditional streaming.

Our ability to capitalise on the growth opportunities in fitness & wellness and social media and become the dominant music solutions provider in these target markets is mainly due to the strength of our platform combined with our significant industry expertise and experience. Paul Langworthy, our CEO, and the senior management team have done a superb job of taking advantage of these opportunities. At the same time, we all would have liked this year's sales growth to have been greater – which was not the case primarily due to the pace of closing deals being dependent on our clients completing their licensing deals with labels, which, in some instances, took longer than anticipated. However, we didn't lose business to our competitors and our clients tell us they choose to work with us as we have the best product in the market – it is just a right-shift in the timeline for completing some deals and we remain on track for strong growth in 2022.

As Paul discusses further in the Chief Executive Officer's Review, during the year we signed 11 new licensing customers and 13 contract expansions and renewals. Significantly, many of these are multi-year contracts, which provides us with greater visibility of revenues going forward. It also reflects how our superior technology and service offering has offered real value to our customers, and how we support them with their own expansion.

Our eMusic Live platform also continued to thrive in 2021 and the momentum has carried on in 2022. The venture has evolved multi-genre partnerships to bring music and customised artist experiences to music fans. During the pandemic lockdowns, eMusic Live provided an alternative to live gigs for a struggling music industry, uniting both big names and relatively unknown artists to fan bases. Livestreaming, however, is increasingly being recognised beyond the pandemic as a way of monetising artists' and other rightsholders' work singly or in tandem with live concerts. In May 2022, Netflix and Apple, for example, both revealed their interest in livestreaming, with the latter announcing it will be launching a new concert livestreaming series – Apple Music Live. As a dedicated music livestreaming platform, with partnerships established with the biggest organisations in live entertainment such as AEG Presents and iHeart Media, and as one of the most commercial platforms available, eMusic Live is in prime position to capitalise on this trend.

The music industry is never static. It continues to be transformed by the emergence of new digital platforms and formats, which are constantly redefining how consumers engage with music and creating new sources of growth. We expect this to continue to benefit us in fitness and social media markets. We are also starting to the see the gaming industry as a key vertical market for our music-as-a-service platform in 2022. Transformation through the emergence of new digital formats is also a key driver for our eMusic Live venture. Bringing together our technology, our industry expertise and our experience, we are establishing solid foundations on which 7digital can build to become the leading end-to-end platform providing artist services globally.

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

Mostly, I would like to thank our loyal shareholders for their ongoing support. As a Board, we all are committed to creating value for our shareholders, and we believe that we are in the right market, at the right time and with the right experience and offering to be able to deliver this. I look forward to reporting on our progress.

CHIEF EXECUTIVE OFFICER'S REVIEW

Paul Langworthy
Chief Executive Officer

29 June 2022

In 2021, we progressed the delivery of our new strategy that we established in the previous year to focus on core sectors in our licensing business and on artist monetisation, which we believe offer significant growth potential. Our success is demonstrated by the substantial increase in our contracted order book at year end compared with when we entered the year as well as the expansion in our pipeline.

As Michael discusses further in the Chief Financial Officer's Review, we increased total revenue to £6.7m (2020: £6.5m), which included good growth in our licensing business.

In our licensing business, which is the largest contributor to our revenue and increasingly so, we are focusing on the strategic growth markets of fitness and wellness and social media and expanding our presence into gaming. During the year, we signed 11 new customers (2020: 5). We also secured contract extensions with 13 existing customers (2020: 4) – of which 10 included fee expansions, reflecting the value of our platform and services to our customers. Many of these new and renewed contracts are multi-year agreements, which enhances our visibility over future revenues.

During the year we actively worked with our partners to facilitate the licensing process for customers. Our music-as-a-service platform provides customers with access to pre-approved music in our global catalogue based on the licensing agreements held by those customers with music labels. As we have discussed previously, the licensing process in some of these new sectors has taken longer than we had initially anticipated, resulting in a right-shift in the timing for some of our expected revenue. However, by supporting our customers and partners in finding opportunities to streamline the process, we can enhance our offering to customers and reduce the sales cycle for securing our own contracts going forward.

During the year, we also continued to enhance our music-as-a-service platform and increase our offer to global brands through establishing several pre-built integrations that enable customers to easily access complementary services from other providers.

Our eMusic Live virtual concert and artist monetisation platform that we launched last year in collaboration with eMusic has continued to grow, entering partnerships with further artists, agencies and venues as the music industry increasingly seeks new engagement and monetisation opportunities. During the year, eMusic Live livestreamed events globally with some world-renowned artists while also evolving the digital merchandising platform, including the first offering of NFTs alongside ticketed events.

As a result, we ended the year in a far stronger position than when we started, with exciting prospects ahead of us. Now to go into our activities during the year in more detail.

Fitness and Wellness

Our solution for fitness and wellness brands enables customers to seamlessly incorporate music into their offering and it is designed to make it easy for them to maximise the benefits of music. Based on our music-as-a-service platform, we provide features such as end-to-end global rights and reconciliation management, access to our global catalogue and an easy-to-use playlisting tool. We believe that we have established a dominant position in this global growth market.

During the year, we converted multiple sales leads into long-term contracts – adding seven new fitness and wellness companies to our customer base. In particular, we continued to grow our roster of home fitness clients, signing contracts with:

- Barry's, the global fitness brand, which is using our instructor playlisting tool in the US and Canada to access a fully cleared catalogue of music to power Barry's X, a new digital product offering a fully integrated, many-to-many camera-on experience.
- FORME, a premium home fitness system that delivers one-on-one fitness experiences through elegant, full-length mirrors that transform into immersive personal training studios.
- Stryde, a provider of immersive cardio and strength workouts on a high-performance bike in the home, which is using our platform in the US to access a fully rights-cleared music that can be synchronised with video programmes and made available on-demand.

CHIEF EXECUTIVE OFFICER'S REVIEW

- Volava, a European interactive fitness platform that is using 7digital's solution for its bike-based online fitness offering in Spain.
- Mentra by SATS, a new live and on-demand home workout experience from SATS, which is the leading provider of fitness and training services Nordics-wide.

We also expanded our offer into the wider health and wellness market with the signing of 24-month contracts with MedRhythms, a US-headquartered digital therapeutics company that uses sensors, music and software to measure and improve walking, and a second company that is creating a music-based health application for people with dementia. Both customers will use our music-as-a-service platform to access our licensed catalogue and playlisting tool to design their interactive and therapeutic experiences.

Social Media

7digital is helping to shape how fans discover, share and create music by powering rights-cleared music on social media platforms. We made strong progress during the year in this sector with the signing of a contract with Kuaishou, a leading content community and social platform based in China. This reinforced our position as one of the largest providers of licensed music to global social media giants and tech-driven consumer brands.

We also continued our long-standing relationships with our other customers in the social media sector, such as Triller Inc. Triller, which works with some of the biggest global artists and counts Snoop Dogg, The Weeknd, Marshmello and Lil Wayne as strategic investors, is an AI-powered app that allows users to choose their favourite music to create auto-edited, professional-quality videos that can be published on the app or shared via other social media channels.

eMusic Live & Artist Monetisation

7digital continues to drive new sources of growth in the music industry through its eMusic Live venture. This advanced live streaming platform enables artists, venues and brands to host live concerts while providing a range of commercial and fan engagement tools, offering new ways to monetise performances and engage with global audiences. Post year end, as also announced today, the Group entered into an agreement with eMusic regarding eMusic Live that strengthens the partnership while expanding the Company's revenue-generating opportunities.

eMusic Live has now hosted 159 livestream and hybrid events. During the year this included performances by multiple-award winning artists such as Crowded House and Tina Arena in Australia and Ivri Lider in Israel, with the latter two becoming among the first artists globally to host live-digital hybrid events where fans can stream a concert in real time.

Additionally, eMusic Live became the first livestream service to offer artist NFTs alongside ticketed events running on the platform. This allows fans to own authentic digital merchandise while substantially increasing artists' monetisation ability.

Post year end, eMusic Live announced a strategic relationship with AEG Presents, the world's largest live entertainment company and an authority in live music. In this milestone achievement, eMusic partnered with AEG Presents to exclusively livestream Hangout Music Festival and Cali Vibes Festival, featuring some of the world's biggest artists. These events achieved unprecedented scale and success, with over 500,000 views by fans in 73 countries who streamed millions of minutes of showtime. With a portfolio of premier music festivals, marquee concert venues, and in-house content development, the company has a multinational reach, promoting festivals and tours across Europe, Asia and North America. Hangout Music Festival is but one of the festivals that AEG Presents promotes, with others including Coachella Music & Arts Festival and Stagecoach in the US, as well as All Points East and American Express presents BST Hyde Park in the UK. This international reach leaves this partnership open to further expansion, and we are very excited about its potential.

In addition, eMusic Live also announced a partnership with iHeartMedia, the largest audio company in the US, to livestream the star-studded line-up at the 2022 iHeartCountry Festival, including performances from Carrie Underwood and Maren Morris. With over a quarter of a billion monthly listeners, the iHeartMedia Multiplatform has an extensive reach in the US. In addition to the hottest country superstars, the livestream platform also featured music, brand sponsorships, and exclusive behind-the-scenes VIP content and interviews.

CHIEF EXECUTIVE OFFICER'S REVIEW

Other Key Music Licensing Contracts

In other verticals, we won three new music streaming services customers. This includes signing a 36-month contract with Viihdeväylä Oy, a Finnish company that provides background music and playlisting curation to restaurants.

We were delighted to sign an extended contract continuing into 2023 with our global technology company customer. This is a highly significant deal and represents a major validation of the scale and reach of our platform.

We also secured renewals with existing customers such as media company Global Radio, owner of the largest commercial radio company in Europe.

Post year end, we signed a significant contract expansion with an existing B2B music streaming service customer, which is worth a minimum of €2.2m over a three-year period. We also signed a new two-year contract worth at least £1m with a pan-Asian consumer services company to provide access to our global catalogue, full licence compliance management and curation via our playlisting tool. In addition, we won a 24-month contract with a new music and data platform designed to better meet the monetisation needs of the rightsholder community. The customer expects to launch the service later in 2022.

New Integrations and Partnerships

We have continued to enhance our platform and increase our offer to global brands through establishing pre-built integrations that enable customers to easily access complementary services from other providers. During the year, we established new integrations and partnerships with:

- Super Hi-Fi, an audio technology company using AI-based technologies to deliver next-generation music listening experiences. The integration of Super Hi-Fi's audio stitching and automated content curation technology allows customers to add a critical layer of differentiation and customised listening features to their music services when they access their music catalogue via 7digital's platform.
- Muzooka, a leading verified artist asset database, so that content delivered via our music-as-a-service platform is pre-mapped with Muzooka's pre-approved database of artist images, links and other media assets.
- ACRCloud to produce a solution around User Generated Content ("UGC") monitoring. The partnership pairs 7digital's catalogue with ACRCloud's leading fingerprint database of over 100 million tracks to create a simpler, more accurate and cost-effective process for companies wishing to monitor and report on UGC.

Outlook

7digital entered 2022 with a substantially higher contracted order book than at the same point of the previous year and with a strong pipeline in our core sectors as well as a number of prospective contracts in the new sectors of gaming and connected-car entertainment. We have already had some notable conversions of our pipeline into contracts this year and has already secured contracted licensing revenue for full year 2022 that is 21% greater than that achieved for 2021. The Board is confident that some of the other prospective contracts, including those representing significant revenue, will be signed in the near-term with others to follow in due course.

As a result, the Board continues to expect to deliver significant revenue growth in 2022.

The music industry continues to be transformed by the emergence of new digital platforms and formats, which are redefining how consumers engage with music and creating new sources of growth. This is evident across fitness and social media - two markets in which 7digital has established a position as the go-to provider for music services. It is also a key driver for our eMusic Live venture, through which artists can distribute, promote and monetise their music beyond traditional streaming with direct-to-fan opportunities such as NFTs, livestreaming and merchandise. This provides a compelling platform for 7digital to become the leading provider of artist services globally.

Coupled with the Group generating positive EBITDA for May 2022, the Board remains confident in the outlook for the business and in the opportunities ahead.

CHIEF FINANCIAL OFFICER'S REVIEW

Michael Juskiewicz
Chief Financial Officer

29 June 2022

Financial results

The Group's revenue for 2021 was £6.7m compared with £6.5m in 2020.

Licensing revenue continued to be the largest contributor to Group revenue, accounting for 56.4% (2020: 51.5%), with 30.8% provided by Content (2020: 32.0%) and 12.8% by Creative (2020: 16.5%).

Gross margin for 2021 was 64.2% (2020: 71.1% as stated; 63.4% before £500k of content accruals was released to cost of sales, see note 1 on page 47). Gross profit for the year was £4.3m (2020: £4.6m as stated; £4.1m before £500k content accrual release).

Administration expenses increased by £0.6m to £8.0m (2020: £7.4m).

Operating loss relating to ongoing operations for 2021 increased to £3.6m (2020: £2.1m loss) primarily due to the increase in 2021 costs relating to grant of share options of £481k and with no equivalent in 2021 of the 2020 releases of £878k relating to a) £500k content accrual release and b) £378k profit from the sale of a right-of-use asset. Adjusted EBITDA loss increased to £2.0m (2020: £1.4m loss as stated; restated to £1.9m before £500k content accrual release). Loss before tax on ongoing operations increased to £3.8m (2020: £2.3m).

Loss per share on ongoing operations was 0.14 pence (2020: 0.09 pence loss). Loss per share attributable to shareholders was 0.14 pence (2020: 0.05 pence loss).

Revenue	2021 reported £'000	2020 reported £'000	2020 adjusted* £'000	Change £'000	Change %
Licensing	3,797	3,355	3,355	442	13%
Content	2,073	2,085	2,085	-12	-1%
Creative	862	1,073	1,073	-211	-20%
Total Revenue	6,732	6,513	6,513	219	3%
Gross Profit	4,323	4,632	4,132	191	5%
Gross Margin %	*64.22%*	*71.12%*	*63.44%*	*0.78%*	

*adjusted for £500k content accrual release (see note 6 page 52)

Administrative Expenses	2021 £'000	2020 £'000	Change	%
Underlying Administrative Expenses	7,460	6,950	510	7.34%
Other Adjusted Administrative Expenses	509	465	44	
Total Administrative Expenses	7,969	7,415	554	7.47%

	2021	2020
Licensing revenue	56.4%	51.5%
Content	30.8%	32.0%
Creative	12.8%	16.5%
Total Revenues	100.0%	100.0%

CHIEF FINANCIAL OFFICER'S REVIEW

Adjusting items

Other adjusting items for the year totalled £509k (2020: £465k) of which £153k related to consultancy costs connected to the eMusic Live collaboration where the Group contracted directly with the suppliers, £112k provision for the uncertain recoverability of the cash advances made to the eMusic Live collaboration, £93k related to exceptional legal litigation fees, £65k for corporate restructuring costs and £86k for technology costs that may be payable in the future.

Dividend

During the year, 7digital did not declare an interim dividend and the Board of Directors is not proposing a final dividend for 2021 (2020: no interim or final dividend).

Funding

On 18 October 2021, the Group negotiated a further £1m secured revolving credit facility ("RCF") with Investec, for the period to 28 September 2023, aligned with the initial £1m taken out on 28 September 2020 for 36 months The funds drawn under the RCF attract interest, payable quarterly, at 6% above the Bank Base Rate. The Company issued 5,437,883 warrants to Investec with an exercise price of 0.55 pence in part satisfaction of an arrangement fee. The RCF is secured by way of a debenture from the Company together with guarantees provided by certain shareholders, including Tamir Koch and David Lazarus, each a Board Director (see page 23 for Directors' Shareholdings).

Post year end, in June 2022, the Group entered into an agreement with a major shareholder for a 13-month loan of up to £0.5m. The funds drawn attract interest, to be rolled up and payable on the date of repayment of the loan, at 6% above the Bank of England's base rate from time to time. In addition, the Group has received letters of support from major shareholders for the provision of further loans of up to £3.5m, expiring 30 June 2023.

Cash and Cash Flow

As at 31 December 2021, the Group had a cash balance of £0.4m (31 December 2020: £2.8m).

Net cash outflows during the year totalled £2.4m (2020: £3.0m inflow), which was largely driven by an operating cash outflow of £3.4m and in-house development of the Company's API platform of £0.5m partly offset by the net cash inflows from the Investec funding of £1.7m.

Material Uncertainty related to Going Concern

As discussed in note 1 to the financial statements, the Board of Directors of 7digital consider the Company to be a going concern, but acknowledge there to be a material uncertainty relating to going concern. The independent auditors' report is not modified in respect of this matter. The financial statements do not include any adjustments that would result if the Company were unable to continue as a going concern. For further details, refer to the 'Going Concern' section of the Directors' Report on page 17 and in note 1 to the financial statements.

STRATEGIC REPORT

Strategy and business model

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

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

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

- offering flexible, highly productised, end-to-end music solutions that drive high gross profit margin deals;
- increasing the number of clients, we serve in strategic, well-funded market verticals;
- moving to more usage-based commercial deals where successful client consumer use drives revenue beyond our fixed recurring licence fees, meaning 7digital can recognise increasing revenues based on our clients' success;
- improving the financial quality of our business by driving recurring SaaS and PaaS revenues;
- expanding and leveraging our geographic coverage;
- continued investment in market leading technology to meet shifting technology trends, user consumption and client needs;
- applying strict control of our cost base to ensure that revenue growth is quickly reflected in improved overall Group profitability; and
- establishing and maintaining a partner channel program for scaling sales into the identified target market verticals.

7digital operates:

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

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

Licensing

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

Platform revenue comprises the following fee structures:

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

Content

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

STRATEGIC REPORT

an HTML5, mobile optimised web store. Content (download) revenues are recognised by 7digital on the delivery of content.

Creative
7digital produces approximately 700 hours of video and audio content every year. It benefits from regular commissions from the BBC's national radio networks as well as one-off commissions from other broadcasters, such as Sky Television. Key programmes include 'Sounds of the Sixties' and 'Pick of the Pops' on Radio 2, 'Radcliffe and Maconie Show' on Radio 6 and 'Folk Show' on Radio 2.

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

Financial risks
The key financial risk is the availability of sufficient funding until the business reaches a sustained positive cash generative position. The Group has an experienced finance team that provides effective management of the Group's financial exposures, with a strong focus on cash control. During the year the Group secured a further revolving credit of £1m. After the year end, the Group received £0.5m in the form of a long term shareholder loan. With the forecast revenue growth along with the £3.5m support in the form of loans from its largest shareholders expiring 30 June 2023, the Board is confident that the Group will have sufficient funding to enable it to capitalise on the growth opportunities it has identified.

Competition
The market in which the Group operates has seen a number of significant changes, such as the shift from physical sales to digital downloads, then onto streaming and now the emergence of new Web 3.0 technologies. While some of the Group's competitors have shifted the focus away from B2B, some may announce or develop new products, services or enhancements that better meet the needs of customers or the end consumers. Further, new competitors, or alliances among competitors, could emerge. Increased competition may cause price reductions, reduced gross margins and loss of market share, any of which could have a material adverse effect on the Group's business, financial condition and results of operations. However, 7digital's position in the market and strong relationship with the major record companies mean we have support to help grow the market by significantly lowering the barriers to entry for new services and formats for music consumption. The Group's product roadmap is regularly evaluated against the developing marketplace to ensure that we remain competitive.

In the 2022 labour market, there is an unprecedented demand for highly skilled technology employees. As a result, there is a flight risk that 7digital could lose its technology staff motivated by elevated salaries that are presently on offer in the market. Furthermore there is also the added difficulty of attracting highly skilled technology candidates.

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

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

STRATEGIC REPORT

Section 172 statement

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

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

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

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

Employees

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

The Group conducts monthly all staff engagement surveys, with the results shared company-wide, and holds quarterly survey meetings for teams and their managers to take immediate action on feedback from employees. The Group granted share options to all staff under a staff share incentive scheme in May 2021.

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

The Group is pleased to note that its Employer Net Promoter Score increased from +10 in January 2021 to +33 in January 2022 and the Staff Survey Engagement Score improved from 7.4 in January 2021 to 7.7 in January 2022.

Customers

We engage and build our relationships with our customers in a number of ways, from tech- and product-driven updates that improve efficiency and transparency in operations and standards of performance, to our face-to-face interactions with our "white glove" standard customer service, accompanied with a client support hub and client-facing documentation. We undertake regular business reviews with our clients to report on account performance, user and account level analytics, technology roadmap and new partnerships supported as well as to gather customer feedback. The success of the Group's client engagement was demonstrated with renewal agreements being signed with 13 existing clients in 2021. In addition, the Group also supported a number of product upsells with existing clients to further enhance their service covering support for areas such as new label ingestion, expansion to additional service countries and provision of additional rightsholder reports.

STRATEGIC REPORT

Suppliers
We engage with our label partners frequently during the ordinary course of business to communicate new client deals and to seek relevant approvals to make content available. We undertake regular business reviews with the major labels to report on performance, collaborate on market opportunities and provide them with updates on the 7digital strategy. In 2021 we made a concerted effort to improve our ingestion processes for the benefit of our suppliers with the consequence that we now have several of our supplier feeds automated and we have reduced our average ingestion time significantly.

We also made great strides in increasing the overall number of suppliers on our platform by on-boarding more Merlin member content. Also in 2021, we started to roll out a new Supplier Dashboard that provides our supplier partners with information regarding which 7digital clients have access to a supplier's catalogue and how that catalogue is performing on each service. This initiative will extend into 2022. Further, we have begun work on improving the flexibility of our catalogue availability tools. Such tooling will enable suppliers to designate individual tracks as exclusive to a particular client, or to exclude portions of catalogue from a designated client. This has become increasingly important to suppliers as we have expanded the use cases of the platform into the spheres of social and fitness.

Shareholders
The Board is focused on delivering value for shareholders by focusing on continued strategic innovation via a policy of market validation and product development funded through organic investment plus capital raises, as agreed at shareholder meetings, and supported by clearly communicated vision and direction. In our communication to shareholders, the Board is clear in terms of its short, medium and long-term strategy and maintains an open-door approach to shareholders seeking additional clarity on any issue and offers a dedicated investor email contact via the website. The Board release notices on a regular basis informing shareholders of developments in areas of business progress, non-confidential strategic decisions and any change to Group policy. During 2021, the Group also hosted an online investor meeting where Paul Langworthy, CEO, presented information on the Group's operations and strategy and investors were given the opportunity to ask questions.

Key Performance Indicators

For the year ended 31 December 2021, we measured our performance using the key indicators below. As the business develops, the Board intends to adopt additional, non-financial key performance indicators (KPI) to measure the delivery of our strategy:

Revenue
- Why it is a KPI: Reflects the element of billings generated and recognised during the period from all operations and measures our overall performance at a sales level.
- Performance 2021: £6.7m (2020: £6.5m)

Administrative Expenses
- Why it is a KPI: Indirect expenditure on running the business, which reflects cost effectiveness and cost management, and which is of key importance while the Group is developing its revenue streams.
- Performance 2021: £8.0m (2020: £7.4m)

Gross Profit
- Why it is a KPI: An indicator of the amount of profit available to cover overheads and ultimately pass to the owners.
- Performance 2021: £4.3m (2020: £4.1m adjusted see page 7)

Adjusted EBITDA
- Why it is a KPI: A key measure of our effectiveness of turning revenue into earnings.
- Performance 2021: £2.0m loss (2021: £1.9m loss adjusted see note 6 on page 52)

Cash Balance
- Why it is a KPI: The Group's cash balance provides a measure of our financial strength and self-sufficiency to support operations while the business is at the pre-profit stage.
- Performance 2021: £0.4m at year end (2020: £2.8m)

STRATEGIC REPORT

Debtor Days

- Why it is a KPI: An indicator of how quickly invoices are converted to cash which can be put to use to support operations and management strategy.
- Performance 2021: 30 (2020: 55)

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

Paul Langworthy
CEO
Lower Lock, Water Lane, London, NW1 8JZ
29 June 2022

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS:

Paul Langworthy, Chief Executive Officer

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

Michael Jusekwicz, Chief Financial Officer

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

.

NON-EXECUTIVE DIRECTORS:

Tamir Koch, Chair

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

David Lazarus

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

BOARD OF DIRECTORS

INDEPENDENT NON-EXECUTIVE DIRECTORS:

Mark Foster

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

Helen Gilder

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

DIRECTORS' REPORT

The Board of Directors present their annual report and the audited financial statements for the year ended 31 December 2021. The Corporate Governance Statement on pages 20 to 22 forms part of this report.

Business review and future developments

The Chief Executive's Review is contained on pages 4 to 6, the Chief Financial Officer's Review is contained on pages 7 to 8 and the Corporate Governance Statement on pages 20 to 22; these reviews and reports, together with the information contained within the Directors' Report constitute the Business Review. The Business Review has been prepared solely to provide additional information to shareholders to assess the Group's strategies and the potential for these strategies to succeed.

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

Results and dividends

The Group's financial results for the year are shown in the Consolidated Income Statement on page 32. As in the previous year, the Board of Directors is not proposing a final dividend for the year ended 31 December 2021.

Directors' indemnities

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

Substantial shareholders

On 17 June 2022 notification of beneficial interests in 3% or more of the Company's issued share capital are as follows:

	Number of Shares	% of issued share capital	% of voting rights
Magic Investments S.A. Limited	742,436,219	27.27%	27.27%
Shmuel Koch Holdings	445,012,126	16.35%	16.35%
Mr Joseph Samberg	345,000,000	12.67%	12.67%
Hargreaves Lansdown Asset Mgt	267,792,864	9.84%	9.84%
Interactive Investor	118,569,823	4.36%	4.36%
The Joe & Sandy Samberg Foundation Inc	100,000,000	3.67%	3.67%
LAS Investments	90,111,111	3.31%	3.31%
Mr Noam Band	89,000,000	3.27%	3.27%

Capital structure

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

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

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

There are no specific restrictions on the size of a holding or on the transfer of shares, which are both governed by the general provisions of the Articles of Association and prevailing legislation. The Directors are not aware of any

DIRECTORS' REPORT

agreements between holders of the Company's shares that may result in restrictions on the transfer of securities or on voting rights. Details of employee share schemes are set out in note 27.

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

With regards to the appointment and replacement of Directors, the Company is governed by its Articles of Association, the Companies Act 2006 and related legislation. The Articles themselves may be amended by special resolution of the shareholders. The powers of Directors are described in the Main Board Terms of Reference, copies of which are available on request and the Corporate Governance Statement on pages 20 to 22.

Please refer to the post balance sheet note 28.

Financial risk management

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

Re-election of Directors

The Directors who retire by rotation in accordance with the Articles of Association will offer themselves for re-election at the Company's Annual General Meeting ("AGM"). The Board has considered the requirements of the QCA Corporate Governance Code in respect of these matters and believes that these members continue to be effective and to demonstrate their commitment to their role, the Board and the Group. Brief particulars of all Directors can be found on pages 14 to 15.

Going concern

The Group made a loss before/after tax of £3,919k in the year (2020: £1,287k) and at the year-end had a net current liability position of £4,681k. The pressure on short-term working capital combined with a reliance on anticipated revenue growth which is sensitive to factors outside the Group's control, as well as the risk that the Group's sales targets may not be met, indicate that a material uncertainty exists in relation to the timing of future cash inflows and cash outflows that may cast significant doubt on the Group's ability to continue as a going concern.

Taking the reasonable worst-case scenario that has been considered by the Directors, and if the Group is unable to raise finance from alternative sources, the Group is reliant on continued support from existing shareholders of up to £4m to ensure it can meet its liabilities as they fall due. Whilst the Group has had success with raising funds in the past, there is no certainty over future funding. Within the pledged £4m of shareholder support, £0.5m is expected to be received soon after signing, in the form of a loan repayable in no less than 12 months from the date of drawdown.

Whilst the existing shareholders have demonstrated both the intent and ability to provide this support and have provided a letter of support to the Group, this support is not certain as it is not legally binding. The uncertainty over provision of this support, leads to the existence of a material uncertainty; should this support not be provided, significant doubt would be cast over the ability for the Group to continue trading as a going concern.

The Directors note that the Group has recently generated positive EBITDA and are optimistic that the Group will achieve its forecast revenue for 2022 and 2023.

Whilst the Directors acknowledge that the above material uncertainties exist at the balance sheet date, the Directors are confident that the Group's revenues, profits and therefore cashflow from operations will be in excess of the reasonable worst case scenario, and 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. On this basis, the Directors have prepared the financial statements on a going concern basis.

Policy and practice on payment of creditors

Each Group Company is responsible for agreeing the details of terms and conditions relating to transactions with its suppliers where goods and services have been supplied in accordance with the relevant terms and conditions of the

DIRECTORS' REPORT

contract. Trade creditors for the Group at 31 December 2021 represented 206 days of purchases (31 December 2020: 286 days of purchases).

Auditor

Haysmacintyre LLP were reappointed as the auditors for the year ended 31 December 2021.

Directors' statement as to the disclosure of information to the auditor

Each of the persons who is a Director at the date of approval of this annual report confirms that:

- so far as the Directors are aware, there is no relevant audit information of which the Group's auditor is unaware; and
- the Directors have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

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

Statement of Directors' Responsibilities

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

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

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

In preparing the Parent Company financial statements, the Directors are required to:

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

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

DIRECTORS' REPORT

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

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

Mark Foster
Director
Lower Lock, Water Lane, London, NW1 8JZ
29 June 2022

CORPORATE GOVERNANCE STATEMENT

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

Board Composition

The Company is controlled through a Board of Directors, which at 31 December 2021 comprised six Directors: two executive Directors, two non-executive Directors and two independent non-executive Directors. Short biographies of each Director are set out on pages 14 to 15. The role of the Chair and that of the Chief Executive are separate.

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

Board Role

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

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

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

Skills and Expertise

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

Strategy and Corporate Governance

An updated description of the Company's business model is provided in the Strategic Report and is included in this report at pages 9 to 10. The Company's Board composition and the areas of skill and expertise detailed above have been designed to support the Company's next stage of growth.

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

CORPORATE GOVERNANCE STATEMENT

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

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

Board Evaluation and Re-election

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

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

Meeting Frequency

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

	Number of Board Meetings attended	Number of eligible Board Meetings
P Langworthy	12	12
M Juskiewisz	12	12
T Koch	12	12
D Lazarus	11	12
M Foster	12	12
H Gilder	12	12

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

The Company has adopted a Share Dealing Code (including compliance with the Market Abuse Regulation) for Directors' dealings as applicable to AIM companies.

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

Financial reporting

The Board places considerable emphasis on ensuring that all communications with shareholders present a balanced and transparent assessment of the Group's position and prospects. The Board or a subcommittee of the Board reviews and approves results announcements, interim reports, annual reports, the Chair's AGM statement and trading updates prior to their release. The Statement of Directors' Responsibility in respect of the preparation of financial statements is set out on page 18 and the auditor's statement on the respective responsibilities of Directors and the auditor is included within their report on pages 26 to 31.

Committees of the Board

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

CORPORATE GOVERNANCE STATEMENT

Audit Committee

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

The Audit Committee met formally 3 times during the period. The Committee reviews arrangements by which staff of the Group may raise in confidence concerns about improprieties in matters of financial reporting or other matters and investigates appropriate follow-up action.

The Audit Committee recommends to the Board the appointment, re-appointment or removal of the external auditor. On 16 December 2021, the Audit Committee made the decision to reappoint Haysmacintyre LLP as external auditors.

Remuneration Committee

The Remuneration Committee consists of Mark Foster, as chairman, Tamir Koch and Helen Gilder. Further details of the Committee's remit are contained in the Directors' Remuneration Report on pages 23 to 24. The Remuneration Committee met formally once during the period.

Risk Register

A risk register is implemented to improve process, enhance and strengthen internal controls and manage risk.

Relations with shareholders

The Company recognises that shareholder support is instrumental in the future growth of the Company. The Board is committed to maintaining and further developing communications with shareholders. The executive Directors and Chairman give presentations to analysts and investors and are available for one-to-one formal meetings with the Group's key shareholders.

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

Constructive use of the AGM

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

DIRECTORS' REMUNERATION REPORT

Remuneration Committee

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

Remuneration policy for executive Directors

The Company's policy on executive Director remuneration is to:

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

The remuneration of each of the Directors (as audited) for the year ended 31 December 2021 for the 7digital Group was as follows:

	Salary £'000	Fees £'000	Share-based payments £'000	Pension contribution £'000	Total 2021 £'000	Total 2020 £'000
Executive						
P Langworthy	240	-	158	9	407	358
M Juskiewicz (1)	-	252	84	-	336	189
Non-executive						
M Foster (2)	50	-	68	-	118	55
H Gilder (3)	35	-	12	-	46	41
Total	325	252	321	9	906	317

(1) M Juskiewicz was paid fees of £252k via his consultancy business in the US.

(2) The remuneration of M Foster includes £5,000 per annum to be satisfied through the issue of 1,063,830 options by reference to the share price at the year-end. During the year, M Foster received 5,000,000 share options valued at £68k being the settlement of accrued remuneration for prior years; these options formed part of M Foster remuneration and were not performance related. As at 31 December 2021, M Foster was owed fees of £5,000 which is included in derivative liabilities at the year end and which will be satisfied through the issue of options, subject to market conditions,

(3) The remuneration of H Gilder includes £5,000 per annum to be satisfied through the issue of 1,063,830 options by reference to the share price at the year-end. During the year H Gilder received 527,778 share options valued at £12k relating to the settlement of accrued remuneration for prior years; these options formed part of H Gilder remuneration and were not performance related. As at 31 December 2021, H Gilder was owed fees of £5,000 which is included in derivative liabilities at the year end and which will be satisfied through the issue of options, subject to market conditions.

T Koch and D Lazarus received no remuneration during the year (2020: £nil).

Total employer national insurance contributions relating to Directors' remuneration were £39,540 (2020: £33,923).

Directors and their interests

The Directors who held office at 31 December 2021 had the following interest in the ordinary share capital of the Company at the end of the year:

	2021		2020	
	Number of ordinary shares	Ordinary shares under options	Number of ordinary shares	Ordinary shares under options
D Lazarus (1)	742,436,219	-	742,436,219	-
T Koch (2)	446,512,126	-	445,012,126	-
M Juskiewicz	1,000,000	8,000,000	-	-
M Foster	587,943	5,000,000	587,943	-
P Langworthy	25,572	14,600,000	25,572	2,716,667
H Gilder	-	527,778	-	-

DIRECTORS' REMUNERATION REPORT

At 31 December 2021, the following Directors' interests were also noted:

1. 742,436,219 (2020: 742,436,219) were held by Magic Investments SA of which D Lazarus is a Director.
2. 445,012,126 (2020: 445,012,126) were held by a Shmuel Koch Holdings of which T Koch is a Director and 1,500,000 held by T Koch under Nominee (UK) Limited.

During the year the Non-executive Directors accepted a change to their remuneration packages; remuneration in the form of shares was now satisfied by remuneration in the form of share options; consequently, no shares were issued to Non-executive Directors in lieu of remuneration.

	Accrued gross number of ordinary shares remaining due at 31 Dec 2020	Shares issued during year in lieu of remuneration	Shares forfeited during year due to resignations	Accrual released by conversion to share options	Accrued gross number of ordinary shares remaining due at 31 Dec 2020
M Foster	4,628,236	-	-	(4,628,236)	-
H Gilder	1,493,951	-	-	(1,493,951)	-
Total	6,122,187	-	-	(6,122,187)	-

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

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

	Share Options	Currently Exercisable	Exercise price	Earliest exercise date	Latest exercise date
P Langworthy	883,333	883,333	0.0p	29 Aug 2019	27 May 2031
P Langworthy	883,333	883,333	0.0p	29 Aug 2020	27 May 2031
P Langworthy	883,334	883,334	0.0p	29 Aug 2021	27 May 2031
P Langworthy	3,555,555	3,555,555	0.0p	27 May 2021	27 May 2031
P Langworthy	3,555,556	3,555,556	0.0p	01 Jul 2021	27 May 2031
P Langworthy	3,555,556	-	0.0p	01 Jul 2022	27 May 2031
P Langworthy	853,416	853,416	0.0p	27 May 2021	27 May 2031
P Langworthy	429,917	429,917	0.0p	01 Apr 2022	27 May 2031
M Juskiewicz	2,666,666	2,666,666	0.0p	27 May 2021	27 May 2031
M Juskiewicz	2,666,667	2,666,667	0.0p	18 Jul 2021	27 May 2031
M Juskiewicz	2,666,667	-	0.0p	18 Jul 2022	27 May 2031
M Foster	5,000,000	5,000,000	0.0p	27 May 2021	27 May 2031
H Gilder	527,778	527,778	0.0p	27 May 2021	27 May 2031

There are a number of performance conditions relating to all the financial periods ending December 2016 to 2021 (inclusive) attached to these options. Of these options granted, the table below shows the options issued, exercised, lapsed or forfeited during 2021:

	Share Options held at 31 December 2020	Issued	Forfeited	Lapsed	Share Options held at 31 December 2021
P Langworthy	2,716,667	11,066,667	(66,667)	-	13,716,667
M Juskiewicz	-	8,000,000	-	-	8,000,000
M Foster	-	5,000,000	-	-	5,000,000
H Gilder	-	527,778	-	-	527,778

FINANCIAL STATEMENTS

for the year ended
31 December 2021

7digital

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

Opinion

We have audited the financial statements of 7digital Group Plc (the 'parent company' or referred to together with its subsidiaries as the 'group') for the year ended 31 December 2021 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Statement of Financial Position, the Consolidated Statement of Cash Flows, the Consolidated and Parent Company Statements of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and UK-adopted International Financial Reporting Standards ("IFRS"). The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

• give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2021 and of the group's loss for the year then ended;
• the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards ;
• the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
• have been prepared in accordance with the requirements of the Companies Act 2006.

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

Material uncertainty related to going concern
In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate but acknowledge that there are material uncertainties in relation to continued shareholder support and the timing of cash inflows and cash outflows which could materially impact the cash position throughout the going concern period.

Our evaluation of the directors' assessment of the entity's ability to continue to adopt the going concern basis of accounting included but was not limited to the following:

- We have obtained management's going concern assessment and challenged and scrutinised the estimates and assumptions made in the forecasts that allow management to satisfy themselves that the Group is a going concern.

- This included an assessment of possible methods of preserving cash that management have presented in their forecasts as mitigating factors.

- We have challenged and corroborated management's forecasts and considered previous forecasts against actual results as an indicator of management's ability to successfully forecast.

- We have reviewed the letter of support from two shareholders, showing commitment to provide the group with the sufficient financial support as is evidenced as required per the reasonable worst case cashflow forecast, being £4m.

- We have confirmed that one of the shareholders has agreed to provide the Group with an injection of £500k within the 7 days following the signing of the financial statements, as a long term loan facility, demonstrating both the ability and desire to provide the Group with the required support

- We verified that these shareholders have sufficient liquid resources to allow them to provide this support. This entailed a review of documentation supporting this capability that has been provided to the Directors in making their assessment.

- We have reviewed the disclosures made by the Directors in the Directors' report, Strategic report and notes to the financial statements to ensure appropriate disclosure has been made regarding the material uncertainty noted.

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

The group made a loss before tax of £3.91m during the year ended 31 December 2021 and, as of that date, the group's liabilities exceeded its total assets by £6.08m.
The Directors have prepared a detailed cashflow forecast including a plausible worst-case scenario. Under the plausible worst-case scenarios, the directors are comfortable that the level of support required to ensure the group remains cash positive, will be met by two shareholders and as such, consider the Group to be a going concern, but acknowledge there to be a material uncertainty.
The Directors have indicated in their assessment of going concern, that the Group is reliant on the following, to ensure the Group has sufficient cash to meet its liabilities as and when they fall due for a period of 12 months:

- the continued support from two shareholders, who have provided a letter of financial support for an amount of £4m, including £500k which will injected into the business as a long term loan within 7 days of signing the financial statements;
- the timing of cash inflows and cash outflows throughout the going concern period
- winning a number of new contracts and increasing fees in line with expectations

The Directors are satisfied that should the actual results not be in line with, or in excess of their reasonable worst-case scenario, there are appropriate cash savings that can be made by reducing variable costs, and halting discretionary capital expenditure.
The Directors are satisfied that the group is a going concern due continued financial support provided by two shareholders, as well as highlighting sufficient cost savings that could be made should performance not be in line with, or in excess of the reasonable worst case scenario prepared.

We draw attention to note 1, the accounting policy note on going concern, and the various disclosures made throughout the directors' reports. As stated in this note, these events indicate that a material uncertainty exists that may cast significant doubt on the group's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

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

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

Materiality for the Group financial statements as a whole was set at £130,000. This was determined with reference to 2% of turnover, being a KPI of the Group. On the basis of our risk assessment and review of the Group's control environment, performance materiality was set at 75% of materiality, being £97,500. The reporting threshold to the Audit and Risk Committee was set as 5% of materiality, being £6,500. If in our opinion differences below this level warranted reporting on qualitative grounds, these would also be reported.
Materiality for the Parent Company financial statements was set at £60,000. This was determined with reference to 2% of expenditure based on the company being an investment entity does not generate revenues. On the basis of our risk assessment and review of the Parent Company's control environment, performance materiality was set at 75% of materiality, being £45,000. The reporting threshold to the Audit and Risk Committee was set as 5% of materiality, being £3,000.
If in our opinion in differences below this level warranted reporting on qualitative grounds, these would also be reported.

An overview of the scope of the audit
Our audit scope included all components of the group which are registered companies trading in the United Kingdom. The trading subsidiaries of the Group are exempt from requiring an audit, and as such we have not performed a statutory audit for the trading subsidiaries of the Group. In order to be able to opine on the financial statements of the Group, we have performed audit work on the trading subsidiaries of the Group, using component materiality, which was set at 75% of group materiality. The work carried out on the trading subsidiaries of the Group, is sufficient to ensure that an appropriate level of testing was performed to respond to the assessed risks and support our audit opinion.

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

We have communicated any issues with the audit committee and the directors in our audit findings report which was discussed at the completion call with the audit committee.

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

Key audit matters

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

In addition to the matter described in the Material uncertainty related to going concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key Audit Matter	How our scope addressed this matter
Revenue recognition See the accounting policy for revenue in note 1 of the financial statements. The majority of revenue is in relation to B2B license revenue where the risk in relation to revenue recognition is that revenue is overstated and recognised in advance of performance obligations being met. Additionally, where there are set up fees on the license revenue streams, there is a risk that the revenue is not correctly recognised under IFRS 15. There is a risk that content revenue is overstated, specifically around the year end. There is a risk that creative revenue is overstated, specifically where revenue is recognised over the length of the contract which spans the year-end.	Our audit work has focused on ensuring that the revenue recognition methods for each revenue stream utilized by management is in line with the applicable accounting standard IFRS 15. Our audit work considered, but was not restricted to, the following: • For licensing revenue, a sample of license contracts was selected for testing. Each item selected for testing was agreed to contract and the revenue recognised in the year in relation to each contract was recalculated in line with the terms of the contract with the customer, to ensure that no material overstatement occurred • For content related revenue, a test in total of all content revenue was performed using a cash to sales reconciliation substantive analytical approach to ensure that revenue had not been materially overstated. • For creative revenue, a sample of contracts from the year were selected for testing and the revenue recognised in the year was testing in accordance with the performance obligations detailed in the contract. • A selection of transactions were tested around the year end to ensure appropriate cut-off of revenue. A sample of deferred income items were tested in conjunction with contracts that span the year-end.
Completeness of digital content costs of sales and associated accrual (£0.97m) Included in the Group Statement of Financial Position is an accrual for unbilled content related cost of sales. See critical accounting estimates and judgements note 3 for further details in relation to this balance. There is a high level of estimation required in assessing the content accrual in relation to publishers which requires the	Our audit work considered, but was not restricted to, the following: • A critical review of the estimates made by management in determining the appropriate accrual at the end of the year with reference to various data sources and historic invoicing patterns • A review of the reconciliation between the brought forward and carried forward accrual by confirming invoices received in the year recognised against the accrual have been appropriately classified

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

use of multiple sources of data and historic trends for management to make their best estimate of this balance. There is a risk that the content accrual and costs recognised in the year are materially misstated.	• Post year end invoice testing to test for a potential understatement of the accrual at the year end • Post year end invoice testing to ensure the accuracy of estimated accruals made in relation to publisher costs • A test on a sample basis, of movements in the accrual in the year with reference to the usage reports sent to record labels • A test of the veracity of the usage report data in relation to content sales recorded in the year, tracing sales from the bank to appropriate inclusion in the usage reports We draw attention to note 1 and 3 of the financial statements. Due to the level of estimation uncertainty involved in assessing the appropriate accrual relating to publishers, there is a risk that the accrual recognised at the year-end could be materially different from the actual outcome. Our opinion is not modified in respect of this matter.

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

• the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

• the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

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

Matters on which we are required to report by exception
In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.
We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:
• adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
• the parent company financial statements are not in agreement with the accounting records and returns; or
• certain disclosures of directors' remuneration specified by law are not made; or
• we have not received all the information and explanations we require for our audit.

Responsibilities of directors
As explained more fully in the directors' responsibilities statement set out on page 18 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud
Based on our understanding of the group and industry, we identified the principal risks of non-compliance with laws and regulations and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006, income tax, payroll tax and sales tax.

We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting inappropriate journal entries to revenue and management bias in accounting estimates. Audit procedures performed by the engagement team included:

– Inspecting correspondence with regulators and tax authorities;
– Discussions with management including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
– Evaluating management's controls designed to prevent and detect irregularities;
– Identifying and testing journals, in particular journal entries posted with unusual account combinations, postings by unusual users or with unusual descriptions; and
– Challenging assumptions and judgements made by management in their critical accounting estimates particularly relating to the digital content accrual.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

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

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

Use of our report

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

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

10 Queen Street Place
London
EC4R 1AG

29 June 2022

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

CONSOLIDATED INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2021

	Notes	**Year to 31 Dec 2021** **£'000**	Year to 31 Dec 2020 £'000
Continuing operations			
Revenue	2	**6,732**	6,513
Cost of sales		**(2,409)**	(1,881)
Gross profit		**4,323**	4,632
Other Income	5	**-**	644
Administrative expenses		**(7,969)**	(7,415)
Adjusted operating loss	6	**(2,527)**	(1,396)
- Share based payments	27	**(556)**	(99)
- Foreign exchange		**(54)**	(179)
- Other adjusting items	3	**(509)**	(465)
Operating loss	4	**(3,646)**	(2,139)
Finance income and cost	9	**(273)**	(136)
Loss before income tax		**(3,919)**	(2,275)
Taxation on continuing operations	10	**-**	1
Loss from continuing activities		**(3,919)**	(2,274)
Profit from discontinued operations	15	**-**	987
Loss for the year attributable to owners of the parent company		**(3,919)**	(1,287)
Loss per share (pence)			
Basic and diluted - loss from continuing operations	11	**(0.14)**	**(0.09)**
Basic and diluted - loss attributable to ordinary equity holders	11	**(0.14)**	**(0.05)**

Consolidated Statement of Comprehensive Income

	Notes	**Year to 31 Dec 2021** **£'000**	Year to 31 Dec 2020 £'000
Loss for the year		**(3,919)**	(1,287)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations	23	**5**	(149)
Other comprehensive loss		**(3,914)**	(1,436)
Total comprehensive loss attributable to owners of the parent company		**(3,914)**	(1,436)

The notes from pages 37 to 68 form part of the financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2021

	Notes	2021 £'000	2020 £'000
Assets			
Non-current assets			
Intangible assets	12	**559**	287
Property, plant and equipment	13	**114**	97
Right-of-use assets	14	**-**	1,184
		673	1,568
Current assets			
Trade and other receivables	16	**698**	1,347
Contract assets		**70**	86
Cash and cash equivalents		**363**	2,839
		1,131	4,272
Total assets		**1,804**	5,840
Current liabilities			
Trade and other payables	17	**(4,781)**	(5,754)
Derivative liability	18	**(46)**	(71)
Contract liabilities	2.1	**(288)**	(164)
Lease liability	14	**-**	(670)
Provisions for liabilities and charges	20	**(697)**	(858)
		(5,812)	(7,517)
Net current liabilities		**(4,681)**	(3,245)
Non-current liabilities			
Loans and borrowings	19	**(2,000)**	(250)
Contract liabilities	2.1	**(77)**	(8)
Lease liability	14	**-**	(660)
Provisions for liabilities and charges	20	**-**	(109)
		(2,077)	(1,027)
Total liabilities		**(7,889)**	(8,544)
Net liabilities		**(6,085)**	(2,704)
Equity			
Share capital	22	**14,844**	14,844
Share premium account	22	**17,705**	17,705
Other reserves	23	**(3,361)**	(3,899)
Retained earnings		**(35,273)**	(31,354)
Total deficit		**(6,085)**	(2,704)

The financial statements were approved by the Board and authorised for issue on 29 June 2022 and are signed on its behalf by:

Director

The notes from pages 37 to 68 form part of the financial statements.

CONSOLIDATED CASHFLOW STATEMENT
For the year ended 31 December 2021

	Notes	Year to 31 Dec 2021 £'000	Year to 31 Dec 2020 £'000
Loss for the year		**(3,919)**	(1,287)
Adjustments for:			
Taxation	10	-	(1)
Finance Cost	9	**273**	136
Loss/(profit) on sale of right-of-use asset	14	**5**	(378)
Profit on disposal of subsidiary undertaking	15	-	(987)
Foreign exchange	4	**54**	179
Amortisation of intangible assets	12	**173**	30
Amortisation of right-of-use asset	14	**328**	291
Depreciation of fixed assets	13	**54**	52
Share based payments	27	**556**	99
(Decrease)/increase in provisions	20	**(893)**	199
(Decrease) in accruals and deferred income		**(155)**	(937)
Decrease in trade and other receivables		**672**	453
(Decrease) in trade and other payables		**(550)**	(116)
Cash flows used in operating activities		**(3,402)**	(2,267)
Taxation	10	-	1
Interest expense paid	9	**(231)**	(91)
Net cash used in operating activities		**(3,633)**	(2,357)
Investing activities			
Purchase of property, plant and equipment, and intangible assets		**(516)**	(415)
Proceeds from sale of intangible and tangible fixed assets		-	-
Net cash used in investing activities		**(516)**	(415)
Financing activities			
Proceeds from issuance of share capital (net)		-	5,689
Proceeds from bank loans	19	**1,750**	250
Principal paid on lease liabilities	14	**(28)**	(149)
Net cash generated from financing activities		**1,722**	5,790
Net decrease in cash and cash equivalents		**(2,427)**	3,018
Cash and cash equivalents at beginning period		**2,839**	149
Effect of foreign exchange rate changes		**(49)**	(328)
Cash and cash equivalents at end of year		**363**	2,839

The notes from pages 37 to 69 form part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2021

	Notes	Share capital	Share premium account	Reverse acquisition reserve (note 23)	Foreign exchange translation reserve (note 23)	Merger reserve (note 23)	Share based payment reserve (note 23)	Retained earnings	Total
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 January 2021		14,844	17,705	(4,430)	70	-	461	(31,354)	**(2,704)**
Comprehensive income/(loss) for the year									
Loss for the year		-	-	-	-	-	-	(3,919)	**(3,919)**
Other comprehensive income		-	-	-	5	-	-	-	**5**
Total comprehensive income/(loss) for the year		**-**	**-**	**-**	**5**	**-**	**-**	**(3,919)**	**(3,914)**
Contributions by and distributions to owners									
Share issued (net of costs)	22	-	-	-	-	-	-	-	**-**
Share based payments	27	-	-	-	-	-	503	-	**503**
Share warrants issued	19	-	-	-	-	-	30	-	**30**
Total contributions by and distributions to owners		**-**	**-**	**-**	**-**	**-**	**533**	**-**	**533**
At 31 December 2021		**14,844**	**17,705**	**(4,430)**	**75**	**-**	**994**	**(35,273)**	**(6,085)**

The notes from pages 37 to 68 form part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

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

The notes from pages 37 to 68 form part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2021

1. Accounting policies

General information
7digital Group plc is a public company, limited by shares and incorporated in the United Kingdom (England and Wales) under the Companies Act 2006. The address of the registered office is given on page 79.

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

Basis of Preparation
Statutory accounts for the year ended 31 December 2021 have been delivered to the Registrar of Companies. The financial information for the year ended 31 December 2021 contained in these results has been audited.

The financial information contained in these results has been prepared using the recognition and measurement requirements of UK-adopted International Financial Reporting Standards ("IFRS"). The accounting policies adopted in these results have been consistently applied to all the years presented and are consistent with the policies used in the preparation of the financial statements for the year ended 31 December 2021. New standards, amendments and interpretations to existing standards, which have been adopted by the Group for the year ended 31 December 2021, have been listed below.

New standards and interpretations
New standards
New standards that have been adopted in the annual financial statements for the year ended 31 December 2021, but have not had a material effect on the Group are:

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2021

1. Accounting policies (continued)

Going concern

The Group made a loss before/after tax of £3,919k in the year (2020: £1,287k) and at the year-end had a net current liability position of £4,681k. The pressure on short-term working capital combined with a reliance on anticipated revenue growth which is sensitive to factors outside the Group's control, as well as the risk that the Group's sales targets may not be met, indicate that a material uncertainty exists in relation to the timing of future cash inflows and cash outflows that may cast significant doubt on the Group's ability to continue as a going concern.

Taking the reasonable worst-case scenario that has been considered by the Directors, and if the Group is unable to raise finance from alternative sources, the Group is reliant on continued support from existing shareholders of up to £4m to ensure it can meet its liabilities as they fall due. Whilst the Group has had success with raising funds in the past, there is no certainty over future funding. Within the pledged £4m of shareholder support, £0.5m is expected to be received soon after signing, in the form of a loan repayable in no less than 12 months from the date of drawdown.

Whilst the existing shareholders have demonstrated both the intent and ability to provide this support and have provided a letter of support to the Group, this support is not certain as it is not legally binding. The uncertainty over provision of this support, leads to the existence of a material uncertainty; should this support not be provided, significant doubt would be cast over the ability for the Group to continue trading as a going concern.

The Directors note that the Group has recently generated positive EBITDA and are optimistic that the Group will achieve its forecast revenue for 2022 and 2023.

Whilst the Directors acknowledge that the above material uncertainties exist at the balance sheet date, the Directors are confident that the Group's revenues, profits and therefore cashflow from operations will be in excess of the reasonable worst case scenario, and 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. On this basis, the Directors have prepared the financial statements on a going concern basis.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2021.
All subsidiaries are controlled by the Group and are included in the consolidated financial statements; the Group controls an investee if, and only if, the Group has:

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2021

1. Accounting policies (continued)

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

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

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

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

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

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

Revenue
The Group comprises of mainly three types of revenues
1) 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 :*** 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.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2021

1. Accounting policies (continued)

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

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

In 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 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 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 year (e.g., a radio series), or the production of a longer, one-off episode.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2021

1. Accounting policies (continued)

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 year.

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2021

1. Accounting policies (continued)

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
- 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.

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

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2021

1. Accounting policies (continued)

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

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

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

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

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

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2021

1. Accounting policies (continued)

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

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

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

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2021

1. Accounting policies (continued)

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

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

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

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

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

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2021

1. Accounting policies (continued)

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

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

Critical accounting judgements and key areas of estimation uncertainty
In the application of the Group accounting policies, which are described above, the Directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period which the estimate is revised if the revisions affect only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Content cost of sales
The API platform has the ability to analyse the usage reports derived from download sales and which are distributed to the labels on a monthly basis and publishers on a quarterly basis. These usage reports assist management in calculating content cost of sales and content accruals. The label portion of the content accrual is correctly stated as usage reports agree to subsequent trade invoices processed. 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 years. As at 31 December 2020, £500k of historical accruals were released relating to prior periods, as this amount had previously been calculated on a different method with reference to the average cost per contract applied to sales.

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

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2021

2. Revenue

2.1 Revenue from contracts with customer

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

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

	Licensing		Content		Creative		Total	
	2021	2020	**2021**	2020	**2021**	2020	**2021**	2020
	£'000	£'000	**£'000**	£'000	**£'000**	£'000	**£'000**	£'000
Primary Geographical Markets								
UK	**559**	671	**267**	382	**848**	917	**1,674**	1,970
USA	**1,492**	1,513	**737**	683	**-**	-	**2,229**	2,196
Germany	**138**	216	**148**	103	**-**	-	**286**	319
Other	**1,608**	955	**921**	917	**14**	156	**2,543**	2,028
	3,797	3,355	**2,073**	2,085	**862**	1,073	**6,732**	6,513
Product Type								
Set-up fees	**290**	306	-	-	**-**	-	**290**	306
Monthly service fees and usage fee	**3,507**	3,049	**-**	-	**-**	-	**3,507**	3,049
Production	**-**	-	**-**	-	**862**	1,073	**862**	1,073
Download/streaming	**-**	-	**2,073**	2,085	**-**	-	**2,073**	2,085
	3,797	3,355	**2,073**	2,085	**862**	1,073	**6,732**	6,513
Contract Counterparties								
Direct to consumer (online)	**-**	-	**2,073**	2,085	**-**	-	**2,073**	2,085
B2B	**3,797**	3,355	**-**	-	**862**	1,073	**4,659**	4,428
	3,797	3,355	**2,073**	2,085	**862**	1,073	**6,732**	6,513
Timing of transfer of goods and services								
Over time	**3,797**	3,355	**-**	-	**127**	127	**3,924**	3,482
Point in Time (on delivery)	**-**	-	**2,073**	2,085	**735**	946	**2,808**	3,031
	3,797	3,355	**2,073**	2,085	**862**	1,073	**6,732**	6,513

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2021

2. Revenue (continued)

2.1 Revenue from contracts with customer (continued)

	Contract Assets 2021 £'000	Contract Assets 2020 £'000	**Contract Liabilities 2021 £'000**	Contract Liabilities 2020 £'000
Contract balances				
At 1 January	**86**	255	**(172)**	(342)
Transfers in the period from the contract assets to trade receivables	**(86)**	(255)	**-**	-
Amounts included in contract liabilities that were recognised as revenue during the period	**-**	-	**164**	335
Excess of revenue recognised over cash (or rights to cash) being recognised during the period	**70**	86	**-**	-
Cash received in advance of performance and not recognised as revenue during the period	**-**	-	**(357)**	(165)
At 31 December	**70**	86	**(365)**	(172)

The aggregate amount of the transaction price of the remaining performance obligations amounting to £288k (2020: £164k) are all expected to be released within the next 12 months; £77k (2020: £8k) released in the following year.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2021

2. Revenue (continued)

2.2 Business segments

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

	Licensing		Content		Creative		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Revenue from external customers	3,797	3,355	2,073	2,085	862	1,073	6,732	6,513
Segment's result (gross profit)	3,512	3,151	334	828	477	653	4,323	4,632
						-		
Depreciation	(31)	(28)	(16)	(16)	(7)	(8)	(54)	(52)
Amortisation	(173)	(30)	-	-	-	-	(173)	(30)
Settlement income included in Other Income	-	135	-	-	-	-	-	135
Segment profit/(loss)	3,308	3,228	318	812	470	645	4,096	4,685
Remainder of other income							-	509
Amortisation of right to use asset							(328)	(291)
Corporate expenses							(7,414)	(7,042)
Financing income and costs							(273)	(136)
Tax charge							-	1
Discontinued operations							-	987
Loss for the year							(3,919)	(1,287)
Other segment items:							£'000	£'000
Capital additions							516	415

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2021

2. Revenue (continued)

Revenue from the Group's largest customer in the year was just under £0.6m (2020: over £0.4m) and revenue from the second largest customer in the year was just over £0.4m (2020: under £0.4m). There were 4 (2020: 3) other customers that formed greater than 10% of external revenues within the year.

2.3 Geographical information

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

	Revenue		Non-current assets	
	2021	2020	**2021**	2020
Continuing Operations	**£'000**	£'000	**£'000**	£'000
United Kingdom	**1,674**	1,970	**673**	1,568
United States of America	**2,229**	2,196	**-**	-
Germany	**286**	318	**-**	-
Rest of Europe	**1,732**	1,329	**-**	-
Rest of World	**811**	700	**-**	-
	6,732	6,513	**673**	1,568

All revenues are derived from the provision of services.

3. Other adjusting items

	2021	2020
	£'000	£'000
Consultancy costs (i)	**(153)**	-
Provision for uncertain recoverability of cash advances (ii)	**(112)**	-
Exceptional legal fees (iii)	**(93)**	(297)
Corporate restructuring releases/(provision) (iv)	**(65)**	(145)
Legal provision (v)	**-**	(285)
Technology provision (vi)	**(86)**	-
Provisions relating to closure of Denmark business	**-**	262
	(509)	(465)

(i) Consultancy costs relate to directly contracted suppliers working on the eMusic Live collaboration.

(ii) Provision for the uncertain recoverability of the cash advances made to eMusic Live collaboration.

(iii) In 2021 the Group incurred legal fees in relation to funding of £80k (2020: £104k), fundraising £52k (2020: £nil), litigation provision release -£39k (2020: provisions for fees £73k) and unsuccessful M&A activity £nil (2020: £120k).

(iv) During 2021, the Group incurred costs of £65k (2020: £145k) for employee redundancies.

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

(vi) £86k relates to the increase in the technology provision as disclosed in note 20 that management believe may become due.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2021

3. Other adjusting items (continued)

£311k (2020: £503k) of the other adjusting items for the year ended 31 December 2021 are deductible for corporation tax purposes.

4. Operating loss for the year

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

	2021	2020
	£'000	£'000
Net foreign exchange loss	**54**	179
Amortisation of intangible assets	**173**	30
Amortisation of right to use asset (see note 14)	**328**	291
Depreciation of property, plant & equipment	**54**	52
Loss/(profit) on sale of right-of-use asset (see note 14)	**5**	(378)
Share-based payment expense (see note 27)	**556**	99

5. Other operating income

	2021	2020
	£'000	£'000
Settlement income relating to customers contracts	-	135
Profit on sale of right-of-use asset (see note 14)	-	378
Furlough monies received from HMRC	-	131
	-	644

6. Reconciliation of non-IFRS financial KPIs

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2021

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

Reconciliation of adjusted operating loss and adjusted EBITDA loss:

	2021	2020
	£'000	£'000
Statutory operating loss	**(3,646)**	(2,139)
Other adjusting items (see note 3)	**509**	465
Foreign exchange	**54**	179
Share-based payment expense (see note 27)	**556**	99
Adjusted operating loss - per statutory	**(2,527)**	(1,396)
Loss/(profit) on sale of right-of-use asset (see note 14)	**5**	(378)
Depreciation and amortisation	**555**	373
Adjusted EBITDA loss	**(1,967)**	(1,401)

The 2020 Adjusted EBITDA loss includes a £500k release in content accrual as per note 1 under Critical accounting judgements and key areas of estimation uncertainty. The 2020 Adjusted EBITDA loss relating to 2020 trading is £1,901k.

7. Auditor’s remuneration

	2021	2020
	£'000	£'000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	**110**	105
Fees payable to the Company's auditor for other services to the Group		
The audit of the Company's subsidiaries pursuant to legislation	**-**	-
Total audit fees	**110**	105
Non-audit fees:		
Other services	**-**	-
Total non-audit fees	**-**	-
Total fees payable to Company's auditor	**110**	105

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2021

8. Staff costs

The average monthly number of persons employed by the Group during the year, including executive Directors, was 51 (2020: 58). Staff costs in the Group are presented in administrative expenses.

	2021	2020
	No.	No.
Number of production, R&D, and sales staff	39	48
Number of management and administrative staff	12	10
	51	58

	2021	2020
	£'000	£'000
Wages and salaries	3,455	3,673
Redundancy payments	63	132
Social security costs	364	417
Other pension costs	109	119
Share-based payments (note 27)	556	99
	4,547	4,440

Details of the Directors' remuneration are provided in the Directors Remuneration Report on pages 23 to 24.

9. Finance income and cost

	2021	2020
	£'000	£'000
Interest receivable	7	-
Finance income	7	-

	2021	2020
	£'000	£'000
Other charges similar to interest	(231)	(91)
Interest expenses on leased liability (see note 14)	(49)	(45)
Finance cost	(280)	(136)

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2021

10. Tax

Corporation tax is calculated at 19% (2020: 19%) of the estimated assessable profit for the year.

	2021	2020
	£'000	£'000
Current tax		
UK corporation tax on the results for the year	-	-
Foreign taxation	-	(1)
Research & development tax credits	-	-
Total current tax credit	-	(1)
Deferred tax		
Total deferred tax charge/(credit)	-	-
Tax on loss on ordinary activities	-	(1)

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

	2021	2020
Loss before tax	**(3,919)**	(1,287)
Tax at UK corporation tax rate of 19% (2020: 19%)	**(744)**	(432)
Fixed asset differences	**(1)**	-
Expenses not deductible for tax purposes	**209**	32
Income not taxable for tax purposes	**(36)**	(281)
Adjustments to brought forward values	**28**	-
Adjustments to tax charge in respect of previous periods	-	12
Adjustments to tax charge in respect of previous periods - deferred tax	-	36
Remeasurement of deferred tax for changes in rates (2020: 19% to 2021: 25%)	**(2,389)**	(678)
Deferred tax not recognised	**2,933**	1,304
Foreign taxation	-	(1)
Other	-	7
Tax credit	-	(1)

At the balance sheet date, the Group has unrecognised deferred tax assets of £9,905,284 (2020: £7,101,109) which has been calculated at a rate of 25% (2020: 19%) of unused trading tax losses; this has not been recognised on the grounds that there is insufficient evidence that these assets will be recoverable. These assets will be recovered when future tax charges are sufficient to absorb these tax benefits.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2021

11. Earnings per share

Basic earnings per share is calculated by dividing the loss attributable to shareholders by the weighted average number of ordinary shares in issue during the year. IAS 33 requires presentation of diluted EPS when a company could be called upon to issue shares that would decrease earnings per share, or increase the loss per share. For a loss-making company with outstanding share options, net loss per share would be decreased by the exercise of options. Therefore the antidilutative potential ordinary shares are disregarded in the calculation of diluted EPS. Total potential ordinary shares which are outstanding at 31 December 2021 are 73,210,822 (2020: 12,134,155) which relate to the employee share options and shares to be issued to the non-executive Directors under the terms of their service contracts (see Directors Report, Directors Remuneration Report and note 27).

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

	31-Dec-21		
	Loss/(profit)	**Weighted average number of shares**	**Per share amount**
Basic and Diluted EPS	**£'000**	**Thousand**	**Pence**
Loss attributable to shareholders:	**(3,807)**	**2,722,086**	**(0.14)**

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2021

12. Intangibles

	Bespoke applications £'000
Cost	
At 1 January 2020	3,205
Additions	317
At 31 December 2020	3,522
Additions	445
At 31 December 2021	**3,967**
Amortisation	
At 1 January 2020	3,205
Charge for the year	30
At 31 December 2020	3,235
Charge for year	173
At 31 December 2021	**3,408**
Net book value	
At 31 December 2021	**559**
At 31 December 2020	287
At 31 December 2019	-
Useful lives	3 years

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

Impairment testing of bespoke applications

The Group tests intangibles annually for impairment, or more frequently if there are indications that the assets might be impaired. During 2021, the 2020 equity fundraising has enabled the Group to enhance and develop the platform; management are of the opinion that the internal costs associated with certain identifiable development projects of £445k (2020: £317k) can be capitalised and amortised from the time that the project is deemed “live”.

Management considered the carrying value of the platform at 31 December 2021 in 7digital Limited based on value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, future cash flows and growth rates during the period. Future cash flows of the Group were based on forecasts determined at year end, extrapolated over five years and based on existing contracts at that time, along with the expectation of new opportunities. A pre-tax discount rate was applied of 6.75%, reflecting current market assessment of the time value of money and the risks specific to the CGU was applied. The review indicated no impairment was required.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2021

13. Property, plant and equipment

	Computer equipment & capitalised software £'000
Cost	
At 1 January 2020	1,534
Additions	98
Disposals	(1,396)
At 31 December 2020	236
Additions	71
Disposals	(110)
At 31 December 2021	**307**
Amortisation	
At 1 January 2020	1,483
Charge for the year	52
Disposals	(1,396)
At 31 December 2020	139
Charge for year	54
Disposals	(110)
At 31 December 2021	**193**
Net book value	
At 31 December 2021	**114**
At 31 December 2020	97
At 31 December 2019	51

2020 and 2021 disposals relate to obsolete assets that were identified and disposed of for zero cash.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2021

14. 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 is shown in provisions for liabilities and charges (see note 20). 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
Changes to initial lease	107
Profit and loss impact relating to changes - amortisation	16
Amortisation	(344)
Disposal	(963)
At 31 December 2021	-

Lease liability	**Land and buildings**
	£'000
At 1 January 2021	1,330
Changes to initial lease	107
Profit and loss impact relating to changes - interest expense	2
Provision created on termination of property lease (note 20)	(500)
Interest expense	47
Lease payments	(28)
Disposal	(958)
At 31 December 2021	-
Analysed:	
Current	-
Non-current	-
Total	-

15. 2020 discontinued operations

On 16 September 2020, 7digital France SAS, a subsidiary was placed into liquidation; on that day 7digital France SAS had €1,274k/£987k of liabilities no longer payable of which €1,147k related to the liabilities acquired when 7digital France SAS was bought by the Group in 2016. Subsequently, £987k has been transferred to profit and loss as profit and loss on disposal of subsidiary. There was no effect on Group cash or consideration received relating to liquidation of this subsidiary. There were no other material balances included in the Group's Consolidated Income Statement for the year ended 31 December 2020 relating to the discontinued operations. A merger reserve of £959k, which was created on acquisition of the French entity in 2016, was reanalysed to retained earnings.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2021

16. Trade and other receivables

	2021	2020
	£'000	£'000
Trade receivable for the sale of goods	**1,721**	1,890
Less: Provision for impairment of trade receivables	**(1,173)**	(897)
Net trade receivables	**548**	993
Other debtors	**84**	163
R&D credits receivable	**-**	79
Total financial assets at amortised cost (excluding cash & cash equivalents)	**632**	1,235
Prepayments and accrued income	**66**	112
Total trade and other receivables	**698**	1,347
Less: non-current portion - other debtors	**-**	(80)
Current portion	**698**	1,267

The average credit period taken on sales of goods and services is 30 days (2020: 55 days). No interest is charged on receivables. Trade receivables are provided for based on estimated irrecoverable amounts from the sale of goods and services, determined by reference to past default experience and likelihood of recovery as assessed by the Directors. Before accepting any new material customer, the Group uses an external credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. The Directors believe that the trade receivables that are past due but not impaired are of a good credit quality. The Group adopts a policy that each new customer is analysed individually for credit worthiness before the Group's standard payment and delivery terms and conditions are offered.

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

Included in the Group's trade receivable balance are debtors with a carrying amount of £0.2m (2020: £0.3m), which are past due at the reporting date for which the Group has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances. The average age of these receivables is 119 days (2020: 117 days). During the year, the Group provided for certain accounts receivable balances relating to revenue recognised during 2021, where the collection of the outstanding amounts is uncertain.

As at 31 December 2021 the lifetime expected loss provision for trade receivables is:

	Current	**More than 30 days past due**	**More than 60 days past due**	**More than 120 days past due**	**Total £'000**
Expected loss rate	5%	12%	34%	91%	
Gross carrying amount	310	129	43	1,239	1,721
Loss provision	15	15	15	1,128	1,173

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

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2021

16. Trade and other receivables (continued)

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

	2021	2020
	£'000	£'000
Customer A	**335**	331
Customer B	**211**	320
Customer C	**206**	227
Customer D	**183**	209
Customer E	**84**	121
Customer F	**83**	102
Customer G	**-**	83

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

Movement in the allowance for doubtful debts:

	2021	2020
	£'000	£'000
Balance at the beginning of the period	**897**	1,014
Impairment losses recognised	**113**	28
Written off as bad debt	**163**	(145)
Balance at the end of the period	**1,173**	897

During the year, the Group paid £112k (2020: £nil) to eMusic for the new venture eMusic Live which is included in Other Debtors. This was fully proided for at the year end (2020: £nil).

17. Trade and other payables

	2021	2020
	£'000	£'000
Current Liabilities		
Trade payables	**1,752**	2,499
Other taxes and social security	**1,429**	1,369
Other payables	**107**	45
Accrued costs	**1,493**	1,841
	4,781	5,754

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 206 (2020: 286 days). The Group has financial risk management policies in place to ensure that all payables are paid within the credit time frame.

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2021

18. Derivative liability

	2021	2020
	£'000	£'000
Remuneration to be paid in the form of shares	**46**	71
	46	71

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

19. Loans and borrowings

	£'000
As at January 2020	-
Draw down on revolving loan negotiated on 28 September 2020	250
As at December 2020	250
Draw down on revolving £1m loan negotiated on 28 September 2020	750
Draw down on revolving £1m loan negotiated on 18 October 2021	1,000
As at December 2021	**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 31 December 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. At 31 December 2021, there was accrued interest of £15k (2020:£7k) relating to this facility for the last quarter for 2021.

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. At 31 December 2021, there was accrued interest of 12k relating to the period 18 October 2021 to 31 December 2021.

As at December 2021, a total of £2,027k (2020: £257k) of capital and interest was due to Investec.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2021

20. Provisions

	Provision for closure of business	Legal provision	Property provision	Other provisions	Total
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
At 1 January 2021	245	513	-	209	967
Additions	-	-	500	-	500
Utilisation	(144)	(474)	(275)	-	(893)
Increase in provision	-	-	-	162	162
Release of provision	-	(39)	-	-	(39)
At 31 December 2021	**101**	**-**	**225**	**371**	**697**
Of which is: current	**101**	**-**	**225**	**371**	**697**
Of which is: non-current	-	-	-	-	-

At 31 December 2021, the provision for closure of business of £101k relates to the French entity, which was liquidated on 16 September 2020 (see note 15); the balance is being paid off in 9 instalments of £10k to September 2022 and 3 instalments thereafter of £3k to December 2022.

During 2018 a civil action was brought by a former US customer against the Parent Company for failure to deliver services specified in their Term Sheet. The breach of contract claim is for: i) consequential damages for loss of future profits in an amount to be determined at trial; ii) compensatory damages including but not limited to the contract amount of USD200k; iii) punitive damages in an amount to be determined by a jury; (iv) attorney's fees, costs, and expenses; and (v) pre-and post-judgment interest. At 31 December 2020, the provision of £513k was based on a settlement agreement in May 2021. During the year the Group paid £474k in accordance with the settlement which is now finalised and £39k released.

During 2021, the Group successfully negotiated an exit agreement in regard to a lease signed in July 2020 (see note 14). The settlement required the Group to pay £500k over 15 months to December 2022. The £500k settlement is shown as a property provision of which £186k amount has been paid in 2021 and £89k, being substantiated by invoices, is included as trade payables.

At 31 December 2021, other provisions consist of £234k (2020: £148k) provision for technology costs that may become due and £137k (2020: £61k) payroll taxes on share options.

21. Deferred tax

There is no deferred taxation provision included in the Statement of Financial Position (2020: £nil)

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2021

22. Share capital

	2021	2020
	No. of shares	No. of shares
Allotted, called up and fully paid:		
Ordinary shares of 0.01p each	**2,722,085,961**	2,455,419,294
Deferred shares of 0.99p each	**419,622,489**	419,622,489
Deferred shares of £0.09 each	**115,751,517**	115,751,517

	2021	2020
Allotted, called up and fully paid	**£'000**	£'000
At 1 January	**14,844**	14,817
Shares issued in the period		
Capital fundraising	**-**	27
At 31 December	**14,844**	14,844

23. Other reserves

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

The Foreign exchange translation reserve of £5k profit (2020: £149k loss) relates to cumulative foreign exchange differences on translation of foreign operations.

The Share-based payment reserve includes £503k (2020: £89k) relating to the fair value at grant date of the share options that can be exercised in future years and £30k (2020: £26k) for share warrants (see note 19).

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

24. Operating lease arrangements

There are no short term operating leases.

25. Defined contribution pension schemes

The Group operates defined contribution retirement benefit schemes for qualifying employees. The total cost charged to income of £109k (2020: £119k) represents contributions payable to these schemes by the Group at rates specified in the rules of the plans. As at 31 December 2021, contributions due in respect of the current reporting period of £47k had not been paid over to the schemes (2020: £25k).

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2021

26. Related party transactions

During the year, the Group paid £5k (2020: £8.2k) to MIDiA Research for music market research services, a company of which Mark Foster was a Director during 2021. At 31 December 2021, the Group owed £nil (2020: £nil).

During the year, the Group invoiced and recognised £100k (2020: £143k) of revenue to eMusic (a subsidiary of TriPlay Inc.), a group which Tamir Koch was a Director of during 2021. At 31 December 2021, the Group was owed £208k (2020: £327k); which was fully provided for at year end (2020: no provision was made).

During the year, the Group paid £112k (2020: £nil) to eMusic for the new venture eMusic Live. This was fully proided for at the year end as shown in note 3 (2020: £nil).

During the year, the Group paid fees of £252k (2020: £189k) to MJ Advisory, which is Michael Juskiewicz's personal service company based in the US.

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

Remuneration of key management personnel

The remuneration of the Directors, who are the key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures. Further information about the remuneration of individual Directors is provided in the audited part of the Directors' Remuneration Report on pages 23 to 24.

	2021	2020
	£'000	£'000
Wages and salaries	**577**	**574**
Social security costs	**40**	**34**
Pension costs to defined contribution scheme	**9**	**10**
Share-based payments	**321**	59
	947	677

27. Share-based payments

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

	2021 Options	**Weighted average exercise price (pence)**	2020 Options	Weighted average exercise price (pence)
Outstanding at 1 January	**8,043,334**	**-**	8,896,168	**-**
Granted during the period	**65,477,778**	**-**	-	-
Forfeited during the period	**(9,812,834)**	**-**	(852,834)	-
Exercised during the period	**-**	**-**	-	-
Outstanding at the end of the period	**63,708,278**	**-**	8,043,334	-
Exercisable at 31 December	**33,698,581**	**-**	5,413,334	-

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2021

27. Share-based payments (continued)

On 27 May 2021, 65,477,778 (2020: nil) options were granted to the Board, employees and long term contractors. During the period, nil shares were exercised (2020: nil). There are 63,708,278 options outstanding at 31 December 2021 (2020: 8,043,334) of which 33,698,581 (2020: 5,413,334) are exercisable. Their remaining weighted average contractual life is 3,434 days (2020: 268 days).

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

	2021 Options
Share price at date of grant	0.125p
Exercise price	0.00p
Volatility	100%
Option life	10 yrs.
Risk-free interest rate	0.97%

The total expense recognised for the year ending 31 December 2021 arising from equity-settled share-based payment transactions is summarised as below:-

	2021	2020
	£'000	£'000
Shares options	**503**	89
Employer contribution payable on share options	**76**	-
Provision (released)/made for shares to be issued for remuneration	**(23)**	10
	556	99

The share-based payment reserve as at 31 December 2021 is detailed below:

	2021	2020
	£'000	£'000
Shares options	**938**	435
Share warrants	**56**	26
	994	461

28. Post balance sheet events

Post year end, in June 2022, the Group entered into an agreement with a major shareholder for a 13-month loan of up to £0.5m. The funds drawn attract interest, to be rolled up and payable on the date of repayment of the loan, at 6% above the Bank of England's base rate from time to time. In addition, the Group has received letters of support from major shareholders for the provision of further loans of up to £3.5m, expiring 30 June 2023.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2021

29. Financial instruments

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to meet their financial obligations as they arise while maximising the return to stakeholders. The capital structure of the Group consists of cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in notes 22 and 23. During the year the Group secured an extra £1m revolving loan facilty with Investec for a period of 36 months guaranteed by two of the Directors (2020: the Group secured initial £1m loan with Investec for a period of 36 months guaranteed by two of the Directors) as disclosed in note 19.

Categories of financial instruments

	2021	2020
Financial assets at amortised cost	**£'000**	£'000
Cash and cash equivalents	**363**	2,839
Trade and other receivables	**1,917**	2,132
Financial liabilities at amortised cost		
Trade and other payables	**(3,352)**	(4,385)
Loans and borrowings	**(2,000)**	(250)
Financial liabilities at fair value through the profit and loss		
Derivative liability (see note 18)	**(46)**	(71)

Financial and market risk management objectives

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

Currency risk management

The Group manages the risk by holding cash in numerous currencies to avoid foreign exchange charges on payments and receipts.

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

	GBP BU's		
	2021	2020	2019
Assets/(Liabilities)	**£k**	£k	£k
USD	**908**	1,077	619
EUR	**215**	-	(512)
Other	**(41)**	22	(440)
Totals	**1,082**	1,099	(333)

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2021

29. Financial instruments (continued)

The majority of the Group's financial assets are held in Sterling but movements in the exchange rate of the Euro and US dollar against Sterling have an impact on both the result for the year and equity. Sensitivity to reasonably possible movement in the Euro and US dollar exchange rates can be measured on the basis that all other variables remain constant. The effect on profit and equity of strengthening or weakening of the Euro or US dollar in relation to Sterling by 10% would result in a movement of +/- £22k (2020: £6k) in relation to the Euro and +/- £92k (2020: £89k) in relation to the US dollar.

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

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

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

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

Liquidity and interest risk tables
All trade and other payables are non-interest bearing and fall due within one month. £1m of the bank loan is repayable in full by 28 September 2023, the remaining £1m is repayable in full by 18 October 2024 (see note 19). Interest, payable per calendar quarters, is calculated at 6% above Investec bank rate on the drawn portion of the facilty and 2% on the undrawn portion.

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

	2021	2020
Within 12 months	**£'000**	£'000
Trade payables	**1,752**	2,499
Other payables	**107**	45
Lease liability	**-**	670
	1,859	3,214

	2021	2020
More than 12 months	**£'000**	£'000
Other payables	**-**	-
Lease liability	**-**	660
	-	660

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2021

29. Financial instruments (continued)

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

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

	2021	2020	2019
	£'000	£'000	£'000
Barclays Bank	**363**	2,839	132
HSBC Bank	**-**	-	4
Bank of West	**-**	-	2
CIC Bank	**-**	-	11
	363	2,839	149

30. Contingent liabiities

The Group does not have any contingent liabilities.

PARENT COMPANY STATEMENT OF FINANCIAL POSITION
As at 31 December 2021

	Notes	2021 £'000	2020 £'000
Assets			
Non-current assets			
Tangibles	B	**80**	63
Right-of-use asset	C	**-**	1,184
Fixed asset investments	D	**-**	-
		80	1,247
Current assets			
Trade and other receivables	E	**151**	198
Cash at bank and in hand		**5**	2,125
		156	2,323
Current liabilities			
Trade and other payables	G	**(739)**	(1,002)
Derivative liability	H	**(46)**	(71)
Lease liability	C	**-**	(670)
Provision for liabilities and charges	I	**(463)**	(710)
		(1,248)	(2,453)
Net current liabilities		**(1,092)**	(130)
Total assets less current liabilities		**(1,012)**	1,117
Non-current liabilities			
Loans and borrowings	J	**(2,000)**	(250)
Lease liability	C	**-**	(660)
Provision for liabilities and charges	I	**-**	(109)
		(2,000)	(1,019)
Total liabilities		**(3,248)**	(3,472)
Net assets/(liabilities)		**(3,012)**	98
Capital and reserves			
Called up share capital	K	**14,844**	14,844
Share premium account		**17,705**	17,705
Shares to be issued		**994**	461
Profit and loss account		**(36,555)**	(32,912)
Shareholders' reserve/(deficit)		**(3,012)**	98

Result for the year

As permitted by section 408 of the Companies Act 2006 the Company has not prepared its own profit and loss account for the year. 7digital Group plc reported a loss for the financial year ended 31 December 2021 of £3,643k (2020: loss £3,494k).

This Company Statement of Financial Position and related notes were approved by the Board of Directors on 29 June 2022 and were signed on its behalf by

Paul Langworthy, Director

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY
For the years ended 31 December 2021 and 2020

Statement of changes in Equity for the year ended 31 December 2021

	Share capital £'000	Share premium account £'000	Share based payment reserve £'000	Profit and Loss account £'000	**Total** **£'000**
At 1 January 2021	**14,844**	**17,705**	**461**	**(32,912)**	**98**
Comprehensive loss for the year					
Loss for the year	-	-	-	(3,643)	**(3,643)**
Total comprehensive loss for the year	-	-	-	**(3,643)**	**(3,643)**
Contributions by and distributions to owners					
Shares issued	-	-	-	-	**-**
Share based payments (see note 26)	-	-	503	-	**503**
Share warrants issued (see note 18)	-	-	30	-	**30**
Total contributions by and distributions to owners	**-**	**-**	**533**	**-**	**533**
At 31 December 2021	**14,844**	**17,705**	**994**	**(36,555)**	**(3,012)**

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

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

The notes from pages 71 to 78 form part of the financial statements.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS
For the year ended 31 December 2021

A. Principal accounting policies

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

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

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

These financial statements are separate financial statements.

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

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

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

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

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

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

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS
For the year ended 31 December 2021

A. Principal accounting policies (continued)

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

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

Impairment of tangible and other intangible assets

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

Cash and cash equivalent

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

Fixed asset investments

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

Classification

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

Recognition and measurement

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

Impairment

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

Share-based payments

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

Going concern

These financial statements have been prepared on the going concern basis. Please refer to the Directors Reports on pages 16 to 19 for further going concern commentary.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS
For the year ended 31 December 2021

A. Principal accounting policies (continued)

IFRS 9 "Financial Instruments"
IFRS 9 Financial Instruments replaces the existing guidance in IAS 39 Financial Instruments Recognition and Measurement IFRS 9 Includes revised guidance on the classification and measurement of financial Instruments, including a new expected loss model for calculating impairment on financial assets as is set out in the Group's accounting policy on page number 43 to 46.
Impairment provisions for receivables from related parties and loans to related parties are recognised based on a forward-looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those where the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those for which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

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

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

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

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

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

Critical accounting judgements and key sources of estimation uncertainty
In the application of the Company accounting policies, which are described above, the Directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period 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.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS
For the year ended 31 December 2021

A. Principal accounting policies (continued)

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

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

Employees
The average number of employees throughout 2021 was 12 (2020: 10). Staff costs amounted to £1.6m (2020: £1.4m). Information about the remuneration of Directors is provided in the audited part of the Directors' Remuneration Report on pages 23 to 25 of the consolidated financial statements.

B. Tangibles

	Computer equipment £'000
Cost	
At 1 January 2021	128
Additions	53
Disposals	(46)
At 31 December 2021	**135**
Amortisation	
At 1 January 2021	65
Charge for the year	36
Disposals	(46)
At 31 December 2021	**55**
Net book value	
At 31 December 2021	**80**
At 31 December 2020	63
At 31 December 2019	-

The 2021 additions relate to the implementation of the a new cloud-based accounting & forecasting systems.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS
For the year ended 31 December 2021

C. 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 is shown in provisions for liabilities and charges (see note 20). 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
Changes to initial lease	107
Disposal	(963)
Amortisation	(328)
At 31 December 2021	-

Lease liability	**Land and buildings**
	£'000
At 1 January 2021	1,330
Changes to initial lease	107
Disposal	(958)
Provision created on termination of property lease (note 20)	(500)
Interest expense	49
Lease payments	(28)
At 31 December 2021	-

D. Fixed asset investments

	£'000
Cost	
At 1 January 2021	21,769
At 31 December 2021	**21,769**
Provision for impairment	
At 1 January 2021	(21,769)
At 31 December 2021	**(21,769)**
Net book value at 31 December 2021	-
Net book value at 31 December 2020	-
Net book value at 31 December 2019	-

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS
For the year ended 31 December 2021

D. Fixed asset investments (continued)

Related subsidiaries, joint ventures and associates

Subsidiaries	Ordinary shares held at 31 December 2021	Principle activity	Country of incorporation	Registered office
7digital Limited	**100%**	Music streaming and download services	England and Wales	**
7digital Creative Limited	**100%**	Radio production	England and Wales	**
7digital Trading Limited	**100%**	Non-trading *(from 1 April 2020)*	England and Wales	**
7digital Wing India Private Limited *(dissolved 5 October 2021)*	**100%**	Dormant	India	****
Smooth Operations (Productions) Limited *(dissolved 16 March 2021)*	**100%**	Dormant	England and Wales	**

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

E. Debtors

	2021	2020
Due within one year:	**£'000**	£'000
Other debtors	**124**	54
Prepayments	**27**	64
Current	**151**	118
Non-current: other debtors	**-**	80
	151	198

F. Amounts owed by related parties

The Directors have reviewed the amounts owed by related parties and believe there are significant doubts as to the future recoverability of these balances, and as such, a release of previous years provision for doubtful debts of £0.3m (2020: provision increased by £0.5m) has been raised in the Company statement of financial position.

G. Trade and other payables:

	2021	2020
Current Liabilities	**£'000**	£'000
Trade creditors	**489**	445
Accruals	**250**	557
	739	1,002

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS
For the year ended 31 December 2021

H. Derivative liability

	2021	2020
	£'000	£'000
Remuneration to be paid in the form of shares	**46**	71
	46	71

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

I. Provision for liabilities and charges

	Property provision (note a)	Provision for closure of businesses (note b)	Legal provision (note c)	Other provisions (note d)	**Total**
	£'000	£'000	£'000	£'000	**£'000**
At 1 January 2020	-	245	513	61	**819**
Additions	500	-	-	-	**500**
Utilisation	(275)	(144)	(474)	-	**(893)**
Change in provision	-	-	(39)	76	**37**
At 31 December 2020	**225**	**101**	**-**	**137**	**463**
Of which is: current	225	101	-	137	463
Of which is: non-current	-	-	-	-	-

Note a
During 2021, the Group successfully negotiated an exit agreement in regard to a lease signed in July 2020 (see note 14). The settlement required the Group to pay £500k over 15 months to December 2022. The £500k settlement is shown as a property provision of which £186k amount has been paid in 2021 and £89k, being substantiated by invoices, is included as trade payables.

Note b
At 31 December 2021, the provision for closure of business of £101k relates to the French entity, which was liquidated on 16 September 2020 (see note 15); the balance is being paid off in 9 instalments of £10k to September 2022 and 3 instalments thereafter of £3k to December 2022.

Note c
During 2018 a civil action was brought by a former US customer against the Parent Company for failure to deliver services specified in their Term Sheet. The breach of contract claim is for: i) consequential damages for loss of future profits in an amount to be determined at trial; ii) compensatory damages including but not limited to the contract amount of USD200k; iii) punitive damages in an amount to be determined by a jury; (iv) attorney's fees, costs, and expenses; and (v) pre-and post-judgment interest. At 31 December 2020, the provision of £513k was based on a settlement agreement in May 2021. During the year the Group paid £474k in accordance with the settlement which is now finalised and £39k released.

Note d
At 31 December 2021, other provisions consist of £137k (2020: £61k) for payroll taxes on share options.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS
For the year ended 31 December 2021

J. Loans and borrowings

	£'000
As at January 2020	-
Draw down on revolving loan negotiated on 28 September 2020	250
As at December 2020	250
Draw down on revolving £1m loan negotiated on 28 September 2020	750
Draw down on revolving £1m loan negotiated on 18 October 2021	1,000
As at December 2021	**2,000**

On 28 September 2020, the Group secured a £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. As at 31 December 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. At 31 December 2021, there was accrued interest of £15k (2020:£7k) relating to this facility for the last quarter for 2021.

On 18 October 2021, the Group secured a further £1m revolving loan facility with Investec for a period of 36 months guaranteed by two of the Directors. The arrangement allows a maximum of 4 draw downs in any 12 month period of no less than £250k per draw down. An arrangement 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. At 31 December 2021, there was accrued interest of 12k relating to the period 18 October 2021 to 31 December 2021.

As at December 2021, a total of £2,027k (2020: £257k) for capital and interest was due to Investec.

K. Share capital

	2021	2020
	£'000	£'000
Allotted, called up and fully paid:		
2,722,085,961 ordinary shares of 0.01p each (2020: 2,455,419,294)	**272**	272
419,622,489 deferred shares of 0.99p each (2020: 419,622,489)	**4,154**	4,154
115,751,517 deferred shares of 9p each (2020: 115,751,517)	**10,418**	10,418
	14,844	14,844

L. Post balance sheet events

Refer to the Group's post balance sheet events in note 28 on page 65.

COMPANY INFORMATION

Registered office
Labs Lower Lock
Water Lane
London
NW1 8JZ

Country of incorporation
England and Wales

Registered number
03958483

Nominated adviser
Strand Hanson Ltd
26 Mount Row
London
W1K 3SQ

Solicitors
Charles Russell Speechlys LLP
5 Fleet Place
London
EC4M 7RD

Principal bankers
Barclays Bank plc
United Kingdom House
180 Oxford Street
London
W1D 1EA

Registrars
Link Group
10th Floor
Central Square
29 Wellington Street
Leeds
LS1 4DL

Auditor
Haysmacintyre LLP
10 Queen Street Place
London
EC4R 1AG

Financial PR
Luther Pendragon
48 Gracechurch Street
London
EC3V 0EJ