Company Registration No. 03958483

7digital Group plc

Consolidated Report and Financial Statements for the Year to 31 December 2014

7digital Group plc

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Chairman's Statement

I am very pleased to be presenting my first Chairman's Statement reflecting the new combined 7digital business. In August 2014, I wrote to you introducing the final results of UBC Media Group plc, whereas I am now writing to you introducing the first results of the new Group. These results are for the year to 31 December 2014 for 7digital, but include seven months of the combined 7digital and UBC Media Group plc.

A lot has been achieved. Consumer demand has switched from download to streaming as we predicted. This has attracted many companies to create new, or strengthen their existing, streaming offerings. Many of them have contracted with us to supply their technical platform and access to music rights. The new 7digital management team has responded well to the challenge and at the same time has delivered the integration and promised cost synergies of the merger. In London we have consolidated all our people into one office, which allows for the two sides of the business to work together in providing innovative hybrid solutions to our customers, harnessing both our technical and creative capabilities.

We are well positioned to be the market leader. We see the opportunity clearly and feel assured that we can execute our strategy effectively in the interests of shareholders. As we continue to win more new clients focused on digital music streaming, our strategy will be vindicated.

Part of this assurance stems from the strength of our corporate governance. As Chairman, my primary responsibility is to run an effective board that creates a culture in which there is clarity on strategy, clarity on management responsibility, and effective systems of accountability. I believe we have established a firm governance base and will build from there by appointing new non-executive directors.

There is still a lot to do to become the growing and profitable business that we must become but I am confident that we are on our way. My confidence is enhanced by the talents and efforts of all our staff, and, on behalf of all the board, I extend special thanks to them.

Don Cruickshank
Chairman
24 March 2015

7digital Group plc
Strategic Review
Chief Executive Officer's Review

These results represent a year in which we successfully created a new company from the merger of UBC Media and 7digital. The rationale for the transaction was the opportunity created by the developing market for streamed music services and the coming together of the radio and music industries as technology and consumer habits change.

Although these results do not contain a full year of the combined business, they show powerfully that our vision is being validated by both operational achievements and the financial performance of our company. Our high margin monthly recurring revenues and profitability are growing, powered, as today's announcements from Sainsbury's and Guvera demonstrate, both by the rapid development of the business from current customers and also from new customer wins.

Our marketplace is the 'connected' world. It is a market where demand for the services we provide is expanding and changing rapidly as the range of hardware that is connected grows and consumer habits change in both music and radio. In the US, streamed music listening has just overtaken CD sales, now accounting for 27% of music consumption; in the UK, 21% of adults use streaming on their mobile devices to listen to radio – a 45% year on year increase. At the same time, connectivity of home hi-fi systems, wearable devices, cars and a range of other consumer goods means that businesses are recognising the need for such connected devices to 'come with music'. In the established connected market – mobile - new services and business models are being launched which see sophisticated consumer offerings and music being bundled as a marketing incentive.

Some consumer demand is met by the established players in digital music – Apple, Google, Amazon and Spotify – but their growth and encouragement of the market shows others the power of streamed music as a business and an incentive, creating demand from businesses who do not want to simply point their customers to a third party service but see the opportunity to create new revenue models and sales incentives for themselves. Our 25 major contract wins in the last 12 months have first year revenues worth £3.4m, with 55% of that being in new monthly recurring revenues (MRRs) from a range of customers including mobile operators and handset manufacturers as well as home audio hardware companies and retailers.

We have managed a change from two businesses, one focussed on building download music stores and the other on the digital radio industry, to a single business, which is able to provide the music and radio services demanded by businesses who want to enter this connected market.

The changes in the makeup of our turnover and the increase in gross margin are dramatic. In December 2013, 71% of 7digital's revenues came from low margin content sales and in its business to business (B2B) area, 79% was from operating download music stores. Today, only 22% is from content, with 61% coming from setup fees and monthly recurring revenues from B2B customers; of these 58% are now, in December 2014, for streamed music, radio and hybrid services and only 42% from download stores.

Our MRRs have therefore been transformed in the period to match the new marketplace for streamed services; however, they have also risen in absolute terms, up some 14%. This change of focus has also led to a rise in gross margin from 47% to 52% and a consequent fall in LBITDA by 21%.

In each of the sectors of growth we have identified; mobile and wearables, the connected home, radio, automotive and retail, we have seen growth and contract wins.

In mobile, the historical business of providing download stores has transformed into a dynamic sector with new streaming business models. Our customer ROK Mobile in North America is providing a 'comes with music' SIM card deal in partnership with major network operators and using a mix of radio-like streamed music services and curated playlists as a sales differentiator; we expect their service to expand into other territories in the near future. Guvera, on the other hand, operate a service embedded on all handsets and tablets from fast-growing Lenovo. With the announcement today of our contract to provide their UK and European services, we have moved from providing services to Guvera in three territories last year to 16 in 2015. In Canada, we have powered the launch of the first "micro subscription" mobile music service; "The Overflow" operates a full service of online and offline music for just $4.99 a month but with the content being specifically targeted to fans of Christian music.

Despite the many different business models operated by our customers, for 7digital, the model is always the same: set up fees for each new service followed by monthly fees with a fixed minimum and growth based on usage and territories covered. The growth of these and other services won in the last year has seen the streams served by our platform increase by nearly 400% in the period.

Apple's entry into the wearables sector has created much excitement and, as is always the case with new product launches from the major consumer music services, it has stimulated demand from others who want to take advantage of this new sector with different functions and business models. We were ready for this move, having released the first wearable app based on our platform in July last year. As a result of this, we were approached by i.am+, the company formed by international music industry icon will.i.am, to develop a service to support his "Puls" wearable device, due to launch this year

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The music services on many of the mobile devices we are seeing emerge involve heavily curated playlists – designed to give consumers quick and easy access to the music they want without the need to search and programme their own playlists. This is a very 'radio like' experience, where consumers use trusted sources to provide the music they want but with added interactivity, allowing for example for a track to be skipped and another one added. We have now, through the integration of the radio industry skills that were within UBC Media, developed ways to combine human curation with the so-called 'algorithmic' or automated curation, which has been the hallmark of early digital music services. The recent move by Apple to hire leading BBC Radio One DJ Zane Lowe for its upcoming re-launch of the "iTunes radio" service, shows that this is the direction of travel for the industry.

As radio listening moves online and especially into mobile devices, we are now seeing, as we predicted, radio companies begin to develop their own streamed music services to complement their linear offerings in order to prevent a drain of listeners to services operated by the likes of Apple and Spotify. Our contract wins this year from Spanish Broadcasting in the US and Astro in the Far East demonstrate this and we expect this to be a significant growth area in the future.

We are well positioned here because of our existing business providing radio stations with the tools to stream successfully online. The Radioplayer platform, which we license internationally, is now used by some 750 radio stations in Europe to deliver mobile and web listening, with the Austrian broadcasters being the latest licensee, signed this week.

There is no doubting the transformation that connectivity has brought to mobile which is becoming a relatively mature market. However, that same level of transformation is now occurring in other potentially even bigger market sectors.

The connected home – sometimes linked to the "internet of things" - is opening new markets for us. Our recent business wins from Technics and Onkyo, adding to our existing business with Pure demonstrate that providing digital music directly to connected home speakers and music systems is the next major frontier in the advance of digital music. Here, quality of sound becomes more important and our investment in making the 7digtal platform ready to deliver music files in "Hi Res" was the reason we were selected by Panasonic (who own the Technics brand) and Onkyo to operate their new services. Today we have one of the largest catalogues of Hi Res music available – at 2.6m tracks. The current high quality services are all based around downloading tracks; however, we think that further developments in the hardware industry this year will see streaming services enter the home in higher quality. We were pleased to announce last month that we are working with Cambridge-based Meridian Audio to enable their "MQA" streaming technology – which can deliver studio-quality sound on a normal domestic connection – to be deployed first on the 7digital platform.

Only a short distance behind the connected home on the runway of emerging platforms for digital music is the connected car. We do not expect major revenues here in the immediate future. However, our announcement this year that we are working with Pioneer– the largest supplier of after-market audio solutions in automotive – on connected dashboard solutions, together with the announcement last week that Radioplayer will be part of the Apple in-dashboard solution, shows that, as in other areas, we are keeping abreast of a fast moving and growing marketplace.

Traditional retailers continue to realise the importance of having a digital music service and our existing business with HMV in the UK and Canada is augmented today with the announcement that 7digital is to power the Sainsbury's digital music service.

Whilst the business has been growing fast, operationally, the merger of staff and premises was accomplished quickly in the background. Within two months from the completion of the merger deal, all 115 London-based staff had been moved into our Wilson Street HQ, exiting UBC's previous lease in Marylebone. Our content and technology teams are now integrated so as well as producing some of the highest quality radio programming – like Radcliffe and Maconie on 6Music and Pick of The Pops on Radio 2 – our content teams are curating music services and producing video and audio content for the websites we are creating for our customers. The Technics launch of their Hi Res music service was accompanied by artist profile videos and curated content produced by us from within our existing companies.

As the opportunities continue to grow in all of our key market sectors, the Board is confident that 7digital is well positioned to take advantage of what will be a significant demand for new streamed music and radio services globally.

Simon Cole
Chief Executive
24 March 2015

7digital Group plc
Strategic Review
Chief Financial Officer's Review

Results for the year ending 31 December	2014	2013	Change	
	£'000	£'000	£'000	%
Revenue	10,213	11,554	(1,341)	(12%)
Cost of sales	(4,883)	(6,107)	1,224	(20%)
Gross profit	**5,330**	**5,447**	**(117)**	**(2%)**
Other administration expenses	(8,438)	(9,389)	951	10%
Adjusted LBITDA	**(3,108)**	**(3,942)**	**834**	**21%**
Depreciation	(667)	(515)	(152)	(30%)
Adjusted operating loss	**(3,775)**	**(4,457)**	**682**	**15%**
Share based payments	(340)	-	(340)	-
Exceptional items	(388)	-	(388)	-
Operating loss	**(4,503)**	**(4,457)**	**(46)**	**(1%)**
Taxation on continuing operations	(17)	(15)	(2)	(13%)
Net finance income/(cost)	3	(65)	68	105%
Gain on investment	1,888	-	1,888	-
Loss for the period	**(2,629)**	**(4,537)**	**1,908**	**42%**
Forex	(31)	-	(31)	-
Fair value gain on investment	3,004	-	3,004	-
Total comprehensive income	**345**	**(4,537)**	**4,882**	**108%**

This review covers the consolidated results of 7digital Group plc (formerly UBC Media Group plc), which went through a reverse acquisition with 7digital Group, Inc. on 10th June 2014. The statement of Comprehensive Income consists of 12 months of the 7digital Group, Inc. consolidated accounts from 1st January, and the 6 months and 20 days of the UBC Media Group from 10th June 2014. The comparative figures are for 7digital Group, Inc. only.

Revenue	2014	2013	Change	
	£'000	£'000	£'000	%
Monthly recurring revenue	4,408	3,864	544	14%
One-off licensing revenue	985	1,085	(100)	(9%)
Licensing revenue	**5,393**	**4,949**	**444**	9%
Content	3,617	6,605	(2,988)	(45%)
Production	1,202	-	-	-
Total Revenues	**10,213**	**11,554**	**(1,341)**	(12%)

Our high-margin business-to-business ("B2B") revenues have continued to enjoy strong growth, rising by 9% overall, and in the strategically important monthly recurring revenues ("MRR") we have seen a year-on-year increase of 14% from £3.86m to £4.41m. This growth has been offset by a fall in the Content revenue, which is driven by the fall in the sale of MP3 downloads, as streaming services continue to cannibalise downloads services within the digital music industry. The Production businesses acquired as part of the transaction were consolidated for the period following the transaction on 10 June, and provided £1.20m of revenue.

In the year to 31st December 2014, 7digital has seen a small drop of 2% in gross profit, decreasing from £5.45m to £5.33m, but has also seen gross margin rise from 47% to 52%. This increase in gross margin was despite a 12% drop in revenue to £10.1m (2013: £11.6m). This is due to a change in the mix of revenues of the business.

Underlying administrative expenses have decreased by 10% to £8.44m (2013: £9.39m). The Group has achieved operational synergies from the merger and continues to maintain tight cost control.

Adjusted Results
Adjusted LBITDA (which excludes return on investments, taxation, depreciation of tangible assets, amortisation of intangible assets, share based payments and exceptional items) showed an improvement of 21%, narrowing to a loss of £3.11m (2013: loss of £3.94m). The adjusted operating profit also improved, by 15%, narrowing to £3.78m (2013: £4.46m).

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Adjusting Items

7digital incurred exceptional costs of £388,000 during the year. The majority of these relate to material one-off costs in relation to the reverse acquisition that occurred during the year. There were no exceptional items in the year to 31st December 2013. Furthermore, the Group set up a new share option scheme during the period, which resulted in a charge of £340,000 (2013: £nil)

Investment Gains

The Group has two distinct gains in relation to our stake in Audioboom Group plc:

Firstly, on 1st October 2014 the Group sold 29,029,307 Audioboom shares for cash proceeds of £3.52m. The stake sold was valued at £1.60m at the time of completion of the reverse acquisition; hence, the sale resulted in a £1.89m profit for the Group. This profit has been recognised in the Consolidated Income Statement, as it is a realised gain in the period.

Secondly, the Group has a gain on the fair value of the investment. Following the divestment, 7digital holds 58,000,000 Audioboom shares, and 8,765,404 warrants that are exercisable at 1.5p. On the date of acquisition of these shares, which was the date of the reverse acquisition, the fair value of this portion of the investment was £3.62m. On 31 December 2014, the fair value of this stake was £6.63m, resulting in a fair value gain of £3.00m. This gain is recognised in the Consolidated Statement of Comprehensive Income.

Statutory Results

The Group made a loss for the period of £2.63m (2013: £4.54m), a narrowing of 42% from the previous year. The Group had Total Comprehensive Income for the period of £345,000, which compared to a loss of £4.54m in the previous year.

Loss per share

Reported earnings per share was a loss of 3.01 pence per share (2013: loss of 7.40 pence).

Cash and cash flow

At 31 December 2014, the Group had a cash balance of £5.31m (2013: £1.29m), and overall cash inflow of £4.02m (2103: outflow £4.05m). This included a cash outflow of £6.30m from operating activities (2013: £4.19m), and £3.37m earned on investing activities (2013: £863,000 spent). The Group had a net cash inflow of £6.95m from financing activities (2013: £1.00m)

Dividend

During the year, 7digital did not pay an interim or final 2013 dividend (2013: no interim or final 2012 dividend). The Board of Directors is not proposing a final dividend in the current year.

Chris Dent
Chief Financial Officer
24 March 2015

7digital Group plc
Strategic Review
Strategy and Business Model

Strategy and Business model

As noted in the Chairman's Statement and the Chief Executive's Review, the business of the statutory entity has changed fundamentally during the year following the acquisition of 7digital Group, Inc. by UBC Media Group plc on 10 June 2014, following which UBC Media Group plc changed its name to 7digital Group plc.

7digital is now a global business with not only the technology and licences to distribute content in 42 countries, providing access to over 30 million music tracks via download and streaming services, but also the ability to create and produce new content. 7digital provides its customers with access to a cloud-based software platform that allows them to create and develop their own music services. 7digital operates business–to–business technology and music services (Licensing revenue), business–to–consumer music services under the 7digital brand (Content revenue), and content production under the Unique, Smooth Operations, Above the Title and Entertainment News brands (Production revenue).

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 licenced 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 wrappers to reduce complexity and time to market for its potential customers and can be used for building products on any type of connected device.

Typically, customers pay a set-up fee and monthly licence fees for using the 7digital platform and 7digital will also take a revenue share of any music-based revenue generated by the service, including transaction or subscription revenues.

In addition to providing an open API-based platform from which third parties can build their own services, 7digital also provides client-side software applications for the leading OS and device platforms, including Android, iOS, BlackBerry, Windows 8 and Windows Phone, Tizen, Firefox OS, HTML5 and Sonos.

7digital has obtained music licences in 42 countries in North America, Latin America, Europe, Asia-Pacific and Africa. These licences are obtained from hundreds of individual record labels, music publishers and music collecting societies. Music licences vary from country to country and by usage type.

Content

7digital.com is a licensed digital music store, one of the UK's first when launched in 2004. 7digital.com operates 20 download stores, of which 18 are country specific, one is offered to those located in the EU and one is offered globally. The 7digital.com music download store offers a catalogue of high quality digital music from the major labels and independent aggregators in Europe, North America and parts of Asia-Pacific. Users have the option to download their purchases as zip files or by using the 7digital download manager to input directly into their media player of choice. 7digital has apps for different devices as well as an HTML5, mobile-optimised web store. Additionally, streaming of a consumer's purchased music is available on Sonos devices. 7digital.com is available with localised features such as local currency, language and catalogue throughout Europe, North America and parts of Asia-Pacific.

Production

7digital has four content production businesses that produce approximately 1,200 hours of video and audio content every year. The content companies benefit from regular commissions with BBC's national radio networks as well as one-off commissions from other broadcasters, such as Sky Television. Our Entertainment News content is distributed to around 150 commercial radio stations. The division now also has a growing business in video entertainment news with Yahoo! Europe, which is generating advertising revenues and is watched on average by 1.4 million people a month.

7digital Group plc
Strategy Review
Principle Risks and Uncertainties

Principal risks and uncertainties

The Group is currently loss making and is reliant on continuing to win new B2B licensing business in order to drive it to profitability. There is a risk that management will be unable to secure new contracts or that the anticipated demand for the Group's services will not materialise. However, the directors believe that the Group is well placed to continue to grow the business in order to reach profitability in the medium term.

The market in which the Group operates is fragmented and competitive and new players may enter the market. Furthermore, the Group is a B2B provider of services to customers that may be in competition with companies that are seen as industry leaders. It is possible that developments by either the direct competition, or the competitors to customers, will render the Group's current and proposed products and services obsolete.

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

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

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

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

The Group depends on qualified and experienced employees, especially in relation to development staff, to enable it to generate and retain business. Should the Group be unable to attract new employees or retain existing employees this could have a material adverse effect on its ability to grow or maintain its business. Retention of the key executives of the Group is recognised as a risk and is managed by the incentive and remuneration arrangements referred to on pages 16, 17, 29 and 37.

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

Chris Dent
Company Secretary

69 Wilson Street
London EC2A 2BB
24 March 2015

7digital Group plc
Governance
Board of Directors

Sir Donald Gordon Cruickshank, Non-Executive Chairman
Don Cruickshank has served as a director of Qualcomm Incorporated since June 2005. Don's career has included assignments at McKinsey & Co. Inc., Times Newspapers, Virgin Group plc, Wandsworth Health Authority and the National Health Service in Scotland. He served as Director General of the UK's Office of Telecommunications (Oftel) from 1993 to 1998. He has been Chairman of the following: Action 2000 (the UK's Millennium Bug campaign) (1997-2000), SMG plc (1999-2004), The London Stock Exchange (2000-2003), Clinovia Group Limited (2004-2007), Formscape Group Limited (2003- 2006). Don was a member of the Financial Reporting Council, the body in the UK responsible for oversight of the Accountancy and Actuarial professions and for corporate governance standards, from June 2001 to June 2007. He holds an MA degree in Law and an honorary LLD degree from the University of Aberdeen and an MBA degree from Manchester Business School.

Simon Andrew Cole, Chief Executive Officer
Simon Cole co-founded The Unique Broadcasting Company Limited in 1989 in partnership with Tim Blackmore, having pioneered the market for national sponsored programmes whilst at Piccadilly Radio, where he was Head of Programmes. Simon has been awarded a fellowship of the Radio Academy. He is also a non-executive director of Audioboom Group plc.

John Christopher Stewart Dent, Chief Financial Officer
Chris Dent was appointed as CFO in April 2012. He previously worked at Deloitte. He is a member of the ICAEW. Chris holds a BA (Hons) degree in Modern History & Economics from Magdalen College, Oxford. He is also a non-executive director of Audioboom Limited and Silent Opera Limited.

Benjamin Charles Drury, Chief Strategy Officer
Ben Drury co-founded 7digital in 2004 after previously working at BT as Head of Music and leading the sale of the Dotmusic business to Yahoo!. Ben graduated from King's College London with a BSc (Hons) Physics with Philosophy of Science. Ben was appointed to the board of AIM-listed Intercede plc as a non-executive director in April 2014. He is an angel investor and has served as Deputy Chairman of the Entertainment Retailers Association (ERA) and on the board of the Official UK Charts Company. Ben also acts as an advisor to the Entrepreneur First programme.

Sir Hossein Yassaie, Non-Executive Director
Hossein Yassaie has been Chief Executive Officer of Imagination Technologies plc since June 1998. After attaining his PhD, Hossein was a research fellow at the University of Birmingham. He then joined STMicroelectronics/Inmos, where he spent eight years, ultimately becoming responsible for the system divisions, including research and development, manufacturing and marketing. After joining Imagination Technologies in 1992 as Technical Director, Hossein refocused the business on advanced technology development and created Imagination's successful silicon IP business model. Hossein is a Non-Executive Director of Toumaz Limited.

Eric Cohen, Non-Executive Director
Eric Cohen is Senior Vice President, Corporate Development at Dolby Laboratories, Inc., where he oversees corporate development, mergers and acquisitions activities, and corporate strategy. Eric was formerly a Managing Director and senior member of the technology investment banking team at Cowen and Company, where he headed the firm's digital media, Internet, and new media business and founded Cowen and Company's digital media practice in 2001. Prior to that, Eric held the position of Managing Director at J.P.Morgan and also worked for 11 years at Credit Suisse First Boston. Eric holds a BS degree from Brown University and an MBA degree from Stanford University.

Richard Smith, Alternate Non-Executive Director
Richard Smith acts as alternate director for Sir Hossein Yassaie. Richard has been the Chief Financial Officer of Imagination Technologies since July 2011. He holds an MBA from Henley Business School, is a Fellow of the Institute of Chartered Accountants in England and Wales and has an MA in Economics from Cambridge University. His early career included positions with Porsche Cars and PricewaterhouseCoopers. Richard has worked in a number of privately held technology businesses as CFO, and prior to that held senior financial roles at Vodafone.

7digital Group plc
Governance
Directors' Report

The Board of Directors present their annual report and the audited financial statements for the year ended 31 December 2014. The Corporate Governance Statement on pages 13 to 15 forms part of this report. It is noted that consolidated financial statements relate to the 7digital Group as the result of the reverse acquisition accounting mandated under IFRS. Therefore, the results are that of the 7digital Group, Inc. from 1 January 2014 to 31 December 2014. The Company 7digital Group plc (formerly UBC Media Group plc) with Company number 03958483 purchased 7digital Group, Inc. on 10 June 2014. It had previously had a year-end of 31 March. Therefore, for the purposes of Company Act 2006 disclosures that are required for the individual Company, items relate to the 9 months from 1 April 2014 to 31 December 2014.

Business review and future developments
The Chief Executive's Review is contained on pages 2 to 3 and the Chief Financial Officer's Review is contained on pages 4 to 5; these reviews, 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 Statement of Comprehensive Income on page 19. As in the previous year, the Board of Directors is not proposing a final dividend in the current year.

Directors and their interests
The names of the directors serving throughout the year and their interests at 31 December 2014 were as follows:

	Number of ordinary shares	**Ordinary shares under option**
S A Cole	2,173,875	222,222
T J Blackmore (resigned 9 June 2014)	2,008,085	-
K F Harrison (resigned 9 June 2014)	12,312	-
P H B Pascoe (resigned 9 June 2014)	967,692	-
J C S Dent	37,038	116,667
B C Drury (appointed 9 June 2014)	12,767,913	198,370
H Yassaie (appointed 9 June 2014)	-	-
D G Cruickshank (appointed 9 June 2014)	-	447,762
E Cohen (appointed 9 June 2014)	-	-
R Smith (alternate for H Yassaie)	-	-

At 31 December 2014, the following directors' interests were also noted:

1. Of the ordinary shares shown as beneficially held by S A Cole, 1,655,428 were registered under the name of HSBC Global Custody Nominee (UK) Limited and 431,947 are registered under the name Brewin 1762 Nominees Limited.
2. Of the ordinary shares shown as beneficially held by T J Blackmore, 334,423 were registered in the name of his wife Margaret Blackmore.
3. Of the ordinary shares shown as beneficially held by P H B Pascoe, 854,871 were registered under the name of Huntress (CI) Nominees and are shares with which P H B Pascoe is connected.
4. H Yassaie is the CEO of Imagination Technologies plc that holds 18,377,886 ordinary shares.
5. E Cohen is an employee of Dolby Laboratories, the ultimate parent company of Dolby International AB that holds 4,095,031 ordinary shares.

The Company has established a tax efficient EMI option scheme and an "unapproved" share option scheme pursuant to which the CEO, CFO, CSO and other members of staff have been or may be granted share options. Options granted under this scheme may have a vesting schedule and/or performance conditions attached. 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
Simon Cole	222,222	0	0.0p	10 June 2017	10 June 2024
Chris Dent	116,667	0	0.0p	10 June 2017	10 June 2024
Ben Drury	198,370	72,222	0.0p	10 June 2014	10 June 2024

There are a number of performance conditions relating to the financial periods ending 31 December 2014, 2015 and 2016 attached to these options. These options were all granted during the year and no options were exercised, lapsed or forfeited during the year.

In addition, Don Cruickshank has options over 447,762 shares, of which 74,627 are current exercisable, with another 74,627 becoming exercisable every six months.

Directors' indemnities

The company 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. Cover with an annual limit of £2 million is maintained.

Substantial shareholders

At 24 March 2015, 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
Goodmans Capital Investment Limited	21,977,065	20.3%	20.4%
Imagination Technologies plc	18,377,886	16.9%	17.1%
Ben Drury	12,767,913	11.8%	11.9%
Liontrust Asset Management	9,336,634	8.6%	8.7%
DC Thompson & Co Limited	7,394,857	6.8%	6.9%
James Kane	5,350,777	4.9%	5.0%
Dolby International AB	4,095,031	3.8%	3.8%

Capital structure

The Group has no debt and the business is 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 19. The Company has one class of ordinary share that carries no right to fixed income. Each share carries the right to one vote at general meetings of the Company. On 10 June 2014, the Company completed a 10-1 consolidation of its shares, so the current call of ordinary shares have a par value of 10p.

With the exception of the lock-in agreements made by Ben Drury, Simon Cole, Chris Dent, Imagination Technologies plc, Dolby International AB, and Goodman Capital Invested Limited signed as part of the reverse merger, there are no specific restrictions on the size of a holding or on the transfer of shares, which are both governed by the general provisions of the Articles of Association and prevailing legislation. The Directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on the transfer of securities or on voting rights.
Details of employee share schemes are set out in Note 26.

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

With regard to the appointment and replacement of directors, the Company is governed by its Articles of Association, the Companies Act 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 13 to 15.

Under its Articles of Association, the Company has authority to issue ordinary shares or make market purchases to an aggregate nominal value equal to ten per cent of the aggregate nominal ordinary share capital as shown in the audited accounts.

Directors' Report

Re-election of directors
All the directors will offer themselves for re-election at the Company's Annual General Meeting ("AGM"). The Board has considered the requirements of the Combined 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 page 8.

Acquisition of the Company's own shares
Further to the shareholders' resolutions of 18 September 2014, in the 9 months to 31 December 2014 the Company purchased 116,621 ordinary shares (31 March 2014: 6,345,306 ordinary shares) with a nominal value of £11,662 (31 March 2014: £63,453), and representing 0.11% (31 March 2014: 3.07%) of the Company's called up ordinary share capital, for a consideration of £3,149 (31 March 2014: £126,906).

Going concern
The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Review on pages 6 to 7. The financial position of the Group, its cash flows and liquidity position are described in the Chief Financial Officer's Review on pages 4 to 5. In addition, Note 27 to the financial statement includes the Group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and its exposures to credit risk and liquidity risk.

The financial statements at 31 December 2014 show that the Group generated an operating loss for the period of £4.50 million (2013: £4.46 million), with cash used in operating activities of £6.30 million (2013: £4.19 million) and a net increase in cash and cash equivalents of £4.02 million in the year (2013: decrease of £4.05 million). The Group balance sheet also showed cash reserves at 31 December 2014 of £5.31 million (2013: £1.29 million).

During the year UBC Media Group plc completed the reverse acquisition of 7digital Group Inc., and the Group was renamed 7digital Group plc. As part of this process, the listed company completed a subscription on 10 June 2014 that raised a net total of £6.95 million to fund the combined business and to support the growth strategy. The directors note that the business is at a stage of development, which requires investment. This new funding means that the business has a strong balance sheet and funding position going forward.

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

Employee involvement
The Group places considerable value on the involvement of its employees and encourages the development of employee involvement in each of its operating companies through both formal and informal meetings. It is the Group's policy to ensure that employees are made aware of significant matters affecting the performance of the Group through information bulletins, informal meetings, team briefings, internal newsletters and the Group's website.

Employment policy
The Group acknowledges the vital role that all employees play in its success through their skills, initiative and commitment. The Group endorses and supports the principles of equal opportunities and always fully considers applications by disabled persons. The policy in respect of staff who become disabled whilst employed is to train and assist them wherever practicable to continue within the Group. It is the policy of the Group to consider individuals on their merit and to make employment decisions on a non-discriminatory basis in compliance with its legal obligations. The Group's policy is to ensure that, as far as is reasonably practicable, working environments exist which will minimise risk to the health and safety of employees.

Environmental policy
In appreciating the importance of good environmental practice, the Group seeks to ensure that its operations cause minimum detrimental impact on the environment. The Group's objective is to comply with all relevant environmental legislation and to promote effective environmental management throughout its businesses.

Policy and practice on payment of creditors
Each Group company is responsible for agreeing the details of terms and conditions relating to transactions with its suppliers where goods and services have been supplied in accordance with the relevant terms and conditions of the contract. Trade creditors for the Group at 31 December 2014 represented 31 days of purchases (31 December 2013: 37 days of purchases).

Auditor
Hazlewoods LLP have expressed their willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting. The audit was last put out to competitive tender following the reverse acquisition, and the decision was taken to retain Hazlewoods as the auditor of the new Group.

Directors' statement as to the disclosure of information to the auditor
Each of the persons who is a director at the date of approval of this annual report confirms that:

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

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

Statement of Directors' Responsibilities

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

Company law requires the directors to prepare Group and Parent Company financial statements for each financial year. Under that law, the directors are required to prepare Group financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and Article 4 of the IAS Regulation and have elected to prepare the Parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The Parent Company financial statements are required by law to give a true and fair view of the state of affairs of the Company. Under company law, the directors must not approve the accounts 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 judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

Chris Dent
Company Secretary

69 Wilson Street
London EC2A 2BB
24 March 2015

7digital Group plc
Governance
Corporate Governance Statement

The Listing Rules require that listed companies (but not companies traded on the AIM market of the London Stock Exchange ("AIM")) incorporated in the UK should state in their report and accounts whether they comply with the revised 2012 UK Corporate Governance Code ("the Code") and identify and give reasons for any area of non-compliance. The Company is listed on AIM and therefore no disclosure is required. However, a number of voluntary disclosures have been made. 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. However, the Board considers that at this stage in the Group's development the expense of full compliance with the Code is not appropriate.

The Company is controlled through a Board of Directors, which at 31 December 2014 comprised three executive directors and three non-executive directors. The composition of the Board changed at completion of the acquisition of 7digital Group, Inc. on 10 June 2014. Short biographies of each director are set out on page 8. The role of the Chairman and that of the Chief Executive are separate. The senior independent non-executive director is currently Eric Cohen.

The Chairman is responsible for the leadership of the Board, ensuring its effectiveness in all aspects of its role and setting its agenda. The Chairman also ensures that the directors receive accurate, timely and clear information and that there is effective communication with shareholders. The Chairman 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 bi-monthly 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.

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

D G Cruickshank was considered by the Board to be independent on the date of his appointment as Chairman of the Board. H Yassaie is not considered by the Board to be independent by virtue of the fact that he is the CEO of Imagination Technologies Limited, which owns a substantial share of the Group. E Cohen is considered to be independent by the Board. It is noted that E Cohen is an officer of Dolby, which is a shareholder. However, the Board believe that the level of shareholding of Dolby is not significant, and therefore does not impair the independence of E Cohen. R Smith acts as an alternate director to H Yassaie. He is not considered to be independent due to his position as CFO of Imagination Technologies Limited.

All directors are subject to election by shareholders at the first opportunity after appointment and at each subsequent Annual General Meeting of the Company. Details of directors submitted for re-election at the forthcoming AGM are provided on page 11. 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 £2 million is maintained.

The Board meets formally at regular intervals. During the 9-month period, the total number of formal meetings of the Board of 7digital Group plc (formerly UBC Media Group plc) was five. The attendance at formal meetings of the Board was as follows:

	Number of Board Meetings attended
S A Cole	5
J C S Dent	5
B Drury	4
D Cruickshank	4
E Cohen	4
R Smith	4

H Yassaie	2
P H B Pascoe	2
T J Blackmore	2

In addition, there were a number of informal meetings of the Board. It is noted that the composition of the board changed substantially after the Company acquired 7digital Group, Inc. on 10 June 2014.

The Company has adopted the Model Code for Directors' dealings as applicable to AIM companies.

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 Chairman'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 12 and the auditor's statement on the respective responsibilities of directors and the auditor is included within their report on page 18.

Internal controls and risk management
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, but has concluded that the internal control systems in place are appropriate for the size and complexity of the Company.

The Board is also responsible for the identification and evaluation of major risks faced by the Group and for determining the appropriate course of action to manage those risks. The Board has put in place the procedures necessary to implement and comply with the guidance 'Internal Control: Guidance for Directors on the Combined Code' (The Turnbull Report) (Revised). In accordance with Provision C.2.1 of the Combined Code, the directors performed a review of the Group's control systems during the financial year.

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

Audit Committee
From 10 June 2014 onwards the Audit Committee consists of H Yassaie as chairman, E Cohen and D G Cruickshank, previously the Audit Committee consisted of of K F Harrison as chairman, P H B Pascoe and T J Blackmore. 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 once during the period. The Committee reviews arrangements by which staff of the Company 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. Following the reverse acquisition of 7digital Group, Inc., the new Audit Committee made the decision to review the auditors of the Group, and put the audit of the Group out to competitive tender. The tender process was led by the Chairman of the Audit Committee, with relevant assistance from the Chief Financial Officer. The tender process resulted in no change to the audit firm, who are now in their third year of service.

The Committee considers all proposals for non-audit services and ensures that these do not impact on the objectivity and independence of the auditor. The Audit Committee in its meetings with the external auditor reviews the safeguards and procedures developed by the auditor to counter threats or perceived threats to their objectivity and independence and assess the effectiveness of the external audit. The Group's policy on non-audit services performed by the external auditor is to address any issues on a case-by-case basis.

Remuneration Committee
From 10 June 2014, onwards the Remuneration Committee consists of D G Cruickshank as chairman, E Cohen and H Yassaie, whereas prior to 10 June 2014 the Remuneration Committee consisted of K F Harrison as chairman, P H B Pascoe and T J Blackmore. Further details of the Committee's remit are contained in the Directors' Remuneration Report on page 16. The Remuneration Committee formally met once during the period.

Relations with shareholders
The Board is committed to maintaining good communications with shareholders. The Chief Executive maintained a regular dialogue with institutional shareholders throughout the year. The executive directors give presentations to analysts and hold one-to-one formal meetings with the Group's key shareholders immediately following the announcement of the Group's full year and interim results. The Group obtains independent feedback on these meetings through its corporate brokers, and this feedback is disclosed to the Board.

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 Chairman invites shareholders' questions to the Board.

7digital Group plc
Governance
Directors' Remuneration Report

Unaudited information

As an AIM-listed company, 7digital Group plc is not required to disclose a Directors' Remuneration Report; however, the Company has opted to make a voluntary disclosure.

Remuneration Committee

The Board has established a Remuneration Committee with formally delegated duties and responsibilities. From the 10 June 2014, onwards the Remuneration Committee consists of D G Cruickshank as chairman, E Cohen and H Yassaie. The provisions of the Combined Code recommend that as Company Chairman, D G Cruickshank should not be a member of the Committee. However, it was considered that D G Cruickshank's experience and knowledge is of considerable value to the Committee and as a result he was 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.

Directors' service contracts

The executive director S A Cole has a 12-month rolling service agreement with the Company. J C S Dent has a 6-month rolling service agreement with the Company. B Drury has a 6-month rolling service agreement with the company. On 9 June 2014 P H B Pascoe, T J Blackmore and K F Harrison resigned from the Board of Directors. On 9 June 2014 D G Cruickshank, H Yassaie and E Cohen were appointed as non-executive directors of the Company, effective 10 June 2014.

For the purpose of clarity, two difference tables will be represented to show the remuneration of directors. The first table will be that of the Company. This table will show the remuneration for directors who were directors of 7digital Group plc (formerly UBC Media Group plc) for the 9 month period 1 April 2014 to 31 December 2014. The second table will be that of the Group to which the financial statements contain herein relate- i.e. the 12 months of the 7digital Group.

The remuneration of each of the directors for the 9-month period ended 31 December 2014 (comparatives are the year to 31 March 2014) was as follows:

	Salary & fees	Bonus	Taxable benefits	Pension contribution	Total 9 months 2014	Total 12 months March 2014
	£'000	£'000	£'000	£'000	£'000	£'000
Executive						
S.A. Cole	113	10	3	3	**129**	**186**
J.C. Dent	59	2	-	2	**63**	**95**
B Drury	78	12	-	3	**93**	-
Non-executive						
P.H.B Pascoe	4	-	-	-	4	**25**
T.J. Blackmore MBE	4	-	-	-	4	**26**
K.F. Harrison	3	-	-	-	3	**20**
D Cruickshank (1)	-	-	-	-	-	**-**
E Cohen (2)	-	-	-	-	-	**-**
H Yassaie (2)	-	-	-	-	-	**-**
R Smith (2)	-	-	-	-	-	**-**
Total	261	24	3	8	**296**	**352**

(This information is audited)

Directors' Remuneration Report

The remuneration of each of the directors for the year ended 31 December 2014 for the 7digital Group was as follows:

	Salary & fees £'000	Bonus £'000	Taxable benefits £'000	Pension contribution £'000	Total 2014 £'000	Total 2013 £'000
Executive						
S.A. Cole	88	10	3	3	**103**	-
J.C. Dent	53	2	-	2	**57**	-
B Drury	134	12	-	5	**150**	151
Non-executive						
P.H.B Pascoe	-	-	-	-	-	-
T.J. Blackmore MBE	-	-	-	-	-	-
K.F. Harrison	-	-	-	-	-	-
D Cruickshank (1)	-	-	-	-	-	-
E Cohen (2)	-	-	-	-	-	-
H Yassaie (2)	-	-	-	-	-	-
R Smith (2)	-	-	-	-	-	-
Total	275	24	3	10	**310**	**151**

(This information is audited)

(1) D Cruickshank does not take a fee. He was granted 447,762 shares options with an exercise price of 0.0p. These become exercisable in six tranches at six-month intervals. 74,627 options are currently exercisable under this plan

(2) E Cohen, H Yassaie and R Smith do not take a fee. However, instead of a fee being paid personally, both Dolby International AB and Imagination Technologies plc receive shares worth £12,500 (at the period end share price) at the end of every six-month period to which the service of the directors relate.

Independent Auditor's Report to the members of 7digital Group plc

We have audited the Group financial statements of 7digital Group plc for the year ended 31 December 2014 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Cash Flow Statement, the Consolidated Statement of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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.

Respective responsibilities of directors and auditor
As explained more fully in the Directors' Responsibilities Statement (set out on page 12), the directors are responsible for the preparation of the Group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements
In our opinion the Group financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 December 2014 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006
In our opinion the information given in the Directors' Report for the financial year for which the Group financial statements are prepared is consistent with the Group financial statements.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- 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.

Other matters
We have reported separately on the Parent Company financial statements of 7digital Group plc for the 9 months ended 31 December 2014 and on the information in the Directors' Remuneration Report that is described as having been audited.

Scott Lawrence (Senior Statutory Auditor)
for and on behalf of Hazlewoods LLP
Chartered Accountants and Statutory Auditor
Cheltenham

24 March 2015

7digital Group plc

Consolidated Statement of Comprehensive Income
Year ended 31 December 2014

	Notes	**Year to 31 Dec 2014**	Year to 31 Dec 2013 Restated
		£'000	£'000
Continuing operations			
Revenue	2	**10,213**	11,554
Cost of sales		**(4,883)**	(6,107)
Gross profit		**5,330**	5,447
Administrative expenses	5	**(9,833)**	(9,904)
Adjusted operating loss		**(3,775)**	(4,457)
- Share based payments	26	**(340)**	-
- Exceptional items	3, 4	**(388)**	-
Operating loss		**(4,503)**	(4,457)
Other gains and losses	14	**1,888**	-
Finance income	8	**8**	-
Finance cost	8	**(5)**	(65)
Loss before tax		**(2,612)**	(4,522)
Taxation on continuing operations	9	**(17)**	(15)
Loss from operations attributable to owners of the parent company		**(2,629)**	(4,537)
Fair value gain on investment	14	**3,004**	-
Foreign exchange		**(31)**	-
Total comprehensive income attributable to owners of the parent company		**345**	(4,537)
Earnings per share (pence)			
Basic and diluted	10	**(3.01)**	(7.40)

7digital Group plc

Consolidated Statement of Financial Position
31 December 2014

	Notes	**2014** £'000	2013 Restated £'000
Assets			
Non-current assets			
Intangibles	11	**345**	428
Property, plant and equipment	12	**690**	755
Investments in associate	14	**6,625**	-
		7,660	1,183
Current assets			
Inventory: work-in-progress	15	**44**	-
Trade and other receivables	16	**3,095**	2,693
Cash and cash equivalents		**5,313**	1,290
		8,452	3,983
Total assets		**16,112**	5,166
Current liabilities			
Trade and other payables	17	**(4,796)**	(5,700)
Convertible loan	21	**-**	(872)
Derivative financial instrument		**-**	(140)
Provisions for liabilities and charges - current	18	**(188)**	-
		(4,984)	(6,712)
Net current assets/(liabilities)		**3,468**	(2,729)
Net assets		**11,128**	(1,546)
Equity			
Share capital	19	**10,833**	-
Share premium account		**17,278**	11,477
Treasury reserve	22	**(215)**	-
Reverse acquisition reserve	20	**(4,430)**	-
Foreign exchange reserve	20	**(31)**	-
Asset for sale reserve	14, 20	**3,004**	-
Retained earnings		**(15,311)**	(13,023)
Total equity		**11,128**	(1,546)

These financial statements for company registration number 03958483, which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Cash Flow, the Consolidated Statement of Changes in Equity and related Notes 1 to 27 were approved by the Board of Directors on 24 March 2015 and were signed on its behalf by:

Chris Dent
Director

7digital Group plc

Consolidated Cash Flow Statement
Year ended 31 December 2014

	Notes	**Year to 31 Dec 2014 £'000**	Year to 31 Dec 2013 Restated £'000
Loss for the period		(2,629)	(4,537)
Adjustments for:			
Taxation		17	15
Interest		(2)	65
Amortisation of intangible assets		254	210
Negative goodwill released to income		(22)	-
Depreciation of fixed assets		414	278
Gain on sale of investment		(1,888)	-
Share option valuation adjustment		340	161
Decrease in provisions		(451)	-
(Decrease)/increase in accruals and deferred income		(1,543)	81
Decrease in inventories		151	-
Decrease/(Increase) in trade and other receivables		354	(481)
(Decrease)/increase in trade and other payables		(1,282)	85
Cash flows from operating activities		(6,287)	(4,123)
Taxation		(17)	(15)
Net interest		2	(53)
Net cash used in operating activities		(6,302)	(4,191)
Investing activities			
Disposal of investment	14	3,520	-
Purchase of property, plant and equipment		(345)	(863)
Acquisition of subsidiary	4	198	-
Net cash generated from/(used) in investing activities		3,372	(863)
Financing activities			
Proceeds from issue of convertible loan note		-	1,000
Net proceeds from issue of ordinary share capital		6,952	-
Net cash generated from in financing activities		6,952	1,000
Net increase/(decrease) in cash and cash equivalents		4,023	(4,054)
Cash and cash equivalents at beginning of period		1,290	5,344
Effect of foreign exchange rate changes		-	-
Cash and cash equivalents at end of period		5,313	1,290

7digital Group plc

Consolidated Statement Changes in Equity
Year ended 31 December 2014

	Notes	Share capital £'000	Share premium account £'000	Treasury reserves £'000	Other reserves (Note 21) £'000	Retained earnings £'000	**Total £'000**
At 1 January 2013 (Restated)		-	11,477	-	-	(8,646)	**2,831**
Loss for the period		-	-	-	-	(4,537)	**(4,537)**
Share based payment		-	-	-	-	161	**161**
At 1 January 2014		-	11,477	-	-	(13,023)	**(1,546)**
Loss for the period		-	-	-	-	(2,629)	**(2,629)**
Acquisition of subsidiary		10,833	5,801	(183)	(4,430)	-	**12,022**
Other comprehensive income for the period		-	-	-	2,973	-	**2,973**
Transaction in treasury shares	22	-	-	(33)	-	-	**(33)**
Share based payment	26	-	-	-	-	340	**340**
At 31 December 2014		**10,833**	**17,278**	**(216)**	**(1,456)**	**(15,311)**	**11,128**

7digital Group plc

Notes to the financial statements
Year ended 31 December 2014

1. Accounting policies

General information

7digital Group plc is a company incorporated in the United Kingdom under the Companies Act. The address of the registered office is given on page 44.

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

On 10 June 2014, 7digital Group plc (formerly UBC Media Group plc) completed the acquisition of 7digital Group, Inc. The directors determined that the transaction was a reverse acquisition as per IFRS 3 Business Combinations. Therefore, the results contained herein treat 7digital Group, Inc. as the acquiring company. Therefore the restated historical comparatives are the comparatives of the consolidated 7digital Group rather than that of 7digital Group plc (formerly UBC Media Group plc). 7digital Group, Inc. had a 31 December year-end. 7digital Group plc (formerly UBC Media Group plc) had a 31 March year-end, and as part of the transaction, it changed its year-end to 31 December. Therefore, the current year results contains 12 months of 7digital Group, Inc., and the post-acquisition (7 months) results of 7digital Group plc (formerly UBC Media Group plc).

New standards and interpretations

The following new and amended IFRSs have been adopted during the year:

- Amendments to IAS 36: Recoverable Amount Disclosures for Non-Financial Assets
- Amendments to IAS 39: Novation of Derivatives and Continuation of Hedge Accounting
- Amendments to IFRS 10, IFRS 12 and IAS 27: Investment Entities
- Amendments to IFRS 10, IFRS 11 and IFRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities - Transition Guidance
- Annual Improvements to IFRS 2009-2011 Cycle (issued by the IASB in May 2012)
- IFRIC 21 Levies

There were no material changes in the financial statements as a result of adopting new or revised accounting standards during the year.

The Group has not yet adopted certain new standards, amendments and interpretations to existing standards, which have been published but are only effective for the Group's accounting periods beginning on or after 1 October 2014. The new pronouncements are listed below:

- Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations (effective 1 January 2016)*
- Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation (effective 1 January 2016)*
- Amendments to IAS 16 and IAS 41: Bearer Plants (effective 1 January 2016)*
- Amendments to IAS 27: Equity Method in Separate Financial Statements (effective 1 January 2016)*
- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective 1 January 2016)*
- Amendments to IAS 1: Disclosure Initiative (effective 1 January 2016)*
- Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception (effective 1 January 2016)*
- IFRS 15: Revenue from Contracts with Customers (effective 1 January 2017)*
- IFRS 9: Financial Instruments (effective 1 January 2018)*

* Not yet endorsed for use in the EU

1. Accounting policies (continued)

Key accounting policies

Going concern
The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Review on pages 6 to 7. The financial position of the Group, its cash flows and liquidity position are described in the Chief Financial Officer's Review on pages 4 to 5. In addition, Note 27 to the financial statement includes the Group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and its exposures to credit risk and liquidity risk.

The financial statements at 31 December 2014 show that the Group generated an operating loss for the period of £4.50 million (2013: £4.46 million), with cash used in operating activities of £6.30 million (2013: £4.19 million) and a net increase in cash and cash equivalents of £4.02 million in the year (2013: decrease of £4.05 million). The Group balance sheet also showed cash reserves at 31 December 2014 of £5.31 million (2013: £1.29 million).

During the year UBC Media Group plc completed the reverse acquisition of 7digital Group Inc., and the Group was renamed 7digital Group plc. As part of this process, the listed company completed a subscription on 10 June 2014 that raised a net total of £6.95 million to fund the combined business and to support the growth strategy. The directors note that the business is at a stage of development that requires investment. This new funding means that the business has a strong balance sheet and funding position going forward.

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

Revenue
Revenue represents amounts receivable for goods and services provided in the normal course of business, and excludes intra-group sales, Value Added Tax and trade discounts. Revenue comprises:

- Sale of programmes and content: the value of goods and services supplied is recognised on delivery of content. Production costs are recognised on the same date as the relevant revenue.
- Sale of software: the value of goods and services supplied is recognised on delivery.

Exceptional items
Exceptional items are those items the Group considers to be non-recurring or material in nature that should be brought to the reader's attention in understanding the Group's financial performance.

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.

1. Accounting policies (continued)

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.

Property, plant and equipment
Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any.

Depreciation is calculated under the straight-line method to write off the depreciable amount of the assets over their estimated useful lives. Depreciation of an asset does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated. The principal annual rates used for this purpose are between 3 and 5 years.

The depreciation method, useful lives and residual values are reviewed, and adjusted if appropriate, at the end of each reporting period to ensure that the amounts, method and periods of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of the property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred. Cost also comprises the initial estimate of dismantling and removing the asset and restoring the site on which it is located for which the Group are obligated to incur when the asset is acquired, if applicable.

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.

Critical accounting judgements and key areas of estimation uncertainty

Acquisition accounting

The Group underwent a significant transaction in the period, whereby 7digital Group plc (formerly UBC Media Group plc) purchased the entire share capital of 7digital Group, Inc.. The transaction has been accounted for as a reverse acquisition. The details of the accounting in relation to this transaction can be found in Note 4. It is noted that the decision to account for the transaction as a reverse acquisiton, as opposed to a standard acquisition under IFRS3, is a significant accounting judgement.

Share based compensation

The Group issues equity settled share based payments to certain Directors and employees, which have included grants of shares, warrants and options in the current year. Equity settled share based payments are measured at fair value at the date of grant, with the charge being recognised within the statement of comprehensive income over the period of service to which the grant relates.

The fair value is measured using a Black-Scholes framework. The Directors have used judgement in the calculation of the fair values of the share based compensation which has been granted during the period, and different assumptions in the model would change the financial result of the business.

Forecasting

The Group prepares medium-term forecasts based on Board approved budgets and 3-year financial models. These are used to support judgements in the preparation of the Group's financial statements including the decision on whether to recognise deferred tax assets and for the Group's going concern assessment.

Revenue recognition

Management considers the detailed criteria for the recognition of revenue from the sale of goods and services set out in IAS 18 Revenue, in particular whether the Group had transferred to the buyer the significant risks and rewards of ownership of the goods.

2. Business and geographical segments

Business segments

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

	Content		Licensing		Production		Unallocated		Total	
	2014	2013 Restated	**2014**	2013 Restated	**2014**	2013 Restated	**2014**	2013 Restated	**2014**	2013 Restated
	£'000	£'000	**£'000**	£'000	**£'000**	£'000	**£'000**	£'000	**£'000**	£'000
Revenue	**3,617**	6,605	**5,393**	4,949	**1,202**	-	**-**	-	**10,213**	11,554
Segment's result (gross profit)	**598**	732	**4,651**	4,715	**81**	-	**-**	-	**5,330**	5,447
Corporate expense	**-**	-	**-**	-	**-**	-	**(9,749)**	(10,044)	**(9,833)**	(9,904)
Operating profit/(loss)	**598**	732	**4,651**	4,715	**81**	-	**(9,749)**	(10,044)	**(4,503)**	(4,457)
Other gains and losses									**1,888**	-
Financing income									**8**	-
Financing costs									**(5)**	(65)
Tax charge									**(17)**	(15)
Loss for the year									**(2,629)**	(4,537)
Other segment items:										
Capital additions									**345**	513
Depreciation									**370**	278
Amortisation									**254**	210

In the year ended 31 December 2014, revenues of £1,345,000 (2013: £1,161,000) are included within the Licensing segment from to the Group's largest customer. There were no other customers that formed greater than 10% of external revenues within the years ended 31 December 2014 and 2013.

Geographical information

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

	Revenue		Non-current assets	
	2014	2013 Restated	**2014**	2013 Restated
Continuing Operations	**£'000**	£'000	**£'000**	£'000
United Kingdom	**4,024**	3,601	**7,792**	1,183
Europe	**1,788**	2,791	**-**	-
Rest of World	**4,402**	5,162	**-**	-
	10,213	11,554	**7,792**	1,183

Notes to the financial statements
Year ended 31 December 2014

3. Exceptional items

	2014	2013 Restated
	£'000	£'000
Acquisition costs	(409)	-
Adjustment on acquisition	22	-
	(388)	-

On 10 June 2014 7digital Group plc (formerly UBC Media Group plc) acquired 7digital Group, Inc. This was accounted for as a reverse acquisition. As part of this transaction the Group incurred a variety of legal and professional fees which have been classified as exceptional items due to their one-off nature and magnitude. As part of the accounting for the accquisition the fair value of the assets acquired and the consideration paid were measured, as this resulted in an excess credit being recognised, this was not capitalised, but taken to the income statement as an exceptional item.

4. Acquisition

On 10 June 2014, UBC Media Group plc acquired 7digital Group, Inc., and subsequently changed its name to 7digital Group plc. On a legal basis the transaction was an acquisition by 7digital Group plc (formerly UBC Media Group plc) of 7digital Group, Inc. However, from an accounting and AIM Rules basis, the transaction constituted a reverse acquistion.

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are as set out in the table below:

	30-May-14	Fair value adjustment	Adjusted
Goodwill	1,173	(1,173)	-
Property, plant and equipment	40	-	40
Investments	3,585	1,667	5,252
Inventory: work in progress	193	-	193
Patent	77	(77)	-
Trade and other receivables	524	-	524
Loans	1,205	-	1,205
Cash and cash equivalents	198	-	198
Trade and other payables	(1,449)	-	(1,449)
Provisions - current	(478)	-	(478)
Deferred tax liability	(235)	235	-
	4,834	652	5,486
Adjustment on acquisition			(22)
Total consideration			5,464

The transaction was deemed to have been satisfied by share swap of 20,445,094 ordinary shares at a value of £0.27 per share, with the consideration reduced by £56,327 which was related to share options issued post transaction to 7digital employees in respect of pre-acquisition performance. The difference between the total consideration and the fair value of the assets purchased was a credit which was taken to the income statement and has been classified as an exceptional item.

5. Operating loss for the year

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

	2014 £'000	2013 Restated £'000
Net foreign exchange (profit)/losses	**(48)**	65
Amortisation of intangible	**254**	210
Depreciation of property, plant & equipment	**414**	278
Operating lease payments - land and buildings	**449**	266
Staff costs	**7,022**	6,148
Share based payment expense	**340**	-
Research and development expenditure	**2,296**	3,109

6. Auditor's remuneration

	2014 £'000	2013 Restated £'000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	**18**	25
Fees payable to the Company's auditor for other services to the Group		
The audit of the Company's subsidiaries pursuant to legislation	**26**	15
Total audit fees	**44**	40
Non-audit fees:		
Total non-audit fees	**-**	2
Total fees paid to Company's auditor	**44**	42

The audit in 2013 was completed by Grant Thornton LLP and relates to 7digital Group, Inc only. The audit fee for 7digital Group plc for the year ended 31 March 2014 was £28,000 and was conducted by Hazelwoods LLP. 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.

7. Staff costs

The average monthly number of persons employed by the Group during the year, including executive directors, was 128 (2013: 108). Staff costs in the Group are presented in both cost of sales and administrative expenses.

	2014	2013 Restated
	No.	No.
Number of production, R & D, and sales staff	**84**	64
Number of management and administrative staff	**30**	44
	114	108

	2014	2013 Restated
	£'000	£'000
Wages and salaries	**5,868**	5,542
Social security costs	**660**	423
Other pension costs	**155**	22
Share based payments	**340**	161
	7,022	6,148

8. Interest

	2014	2013 Restated
	£'000	£'000
Bank interest received	**8**	-
Other charges similar to interest	**(5)**	(53)
Interest on convertible debt	**-**	(12)
	3	(65)

9. Tax

Corporation tax is calculated at 21% (2013: 24%) of the estimated assessable profit for the year.

	2014	2013
	£'000	£'000
UK corporation tax on the results for the year	**-**	-
Foreign tax suffered	**(17)**	(15)
	(17)	(15)

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

	2014	2013
	£'000	£'000
Loss before tax	**(2,612)**	(4,522)
Tax at UK corporation tax rate of 21% (2013: 24%)	**(549)**	(1,085)
Tax effect of expenses that are not deductible in determining taxable profit	**244**	-
Accelerated capital allowances	**-**	(39)
Net movement on deferred tax recognition	**380**	1,124
Timing differences on reconciliation	**(75)**	-
Foreign tax suffered	**(17)**	(15)
Tax charge and effective tax rate for the year	**(17)**	(15)

At the balance sheet date, the Group has unrecognised deferred tax assets of £6,211,580 at a rate of 20% (2013: £2,585,000 (24%)) in respect of unused trading tax losses which have not been recognised on the grounds that there is insufficient evidence that these will be recoverable. These assets will be recovered when future tax charges are sufficient to absorb these tax benefits.

10. 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. The 2013 calcuation of EPS has been restated. Reconciliation of the profit and weighted average number of shares used in the calculation are set out below:

		31 Dec 2014	
	Loss	**Weighted average number of shares**	**Per share amount**
Basic and Diluted EPS	**£'000**	**Thousand**	**Pence**
Loss attributable to shareholders:			
- Continuing and discontinued operations	(2,629)	**87,201**	**(3.01)**
- Continuing operations	(2,629)	**87,201**	**(3.01)**

		31 Dec 2013 Restated	
Basic and Diluted EPS	£'000	Thousand	Pence
Loss attributable to shareholders:			
- Continuing and discontinued operations	(4,537)	**61,335**	**(7.40)**
- Continuing operations	(4,537)	**61,335**	**(7.40)**

11. Intangibles

	Bespoke applications £'000
Cost	
At 1 January 2013 (Restated)	473
Additions	350
At 31 December 2013	823
Additions	171
At 31 December 2014	**994**
Depreciation	
At 1 January 2013 (Restated)	185
Charge for year	210
At 31 December 2013	395
Charge for year	254
At 31 December 2014	**649**
Net book value	
At 31 December 2014	**345**
At 31 December 2013	428

12. Property, plant and equipment

	Computer equipment £'000	Fixture and fittings £'000	Vehicle £'000	Total £'000
Cost				
At 1 January 2013 (Restated)	910	158	-	1,068
Additions	259	346	-	605
Disposals	-	-	-	-
At 31 December 2013	1,169	504	-	1,673
Acquisition of subsidiary	21	-	17	37
Additions	183	127	-	311
Disposals	-	-	-	-
At 31 December 2014	**1,373**	**632**	**17**	**2,021**
Depreciation				
At 1 January 2013 (Restated)	469	143	-	613
Charge for year	255	50	-	305
Disposals	-	-	-	-
At 31 December 2013	724	193	-	918
Charge for year	286	126	2	414
Disposals	-	-	-	-
At 31 December 2014	**1,011**	**319**	**2**	**1,332**
Net book value				
At 31 December 2014	**362**	**312**	**15**	**689**
At 31 December 2013	445	311	-	755

13. Subsidiaries

A list of the significant investments in subsidiaries, including the name, country of incorporation and proportion of ownership interest is given in Note B to the Parent Company financial statements.

14. Investment in asset for sale

	2014	2013
	£'000	£'000
Cost and net book value		
At 1 January	**-**	-
Acquisition of subsidiary	**5,252**	-
Disposal	**(1,631)**	-
Fair value adjustment	**3,004**	-
At 31 December	**6,625**	-

The amounts included above represent investments in Audioboom Group plc ("Audioboom"), an AIM listed company, which was acquired as part of the reverse acquisition of 7digital Group plc. The Group owns 58m shares in Audioboom, and has a further 8.8m of warrants exercisable at 1.5 pence. The 58m shares were valued at the stock market valuation on 31 December 2014 of 10.12p each, resulting in a total valuation of £5.87m, and the warrants were also fair valued at £887,000. If the warrants were exercised, the Group would own 11.7% of the issued share capital of Audioboom Group plc.

During 2014, the Group disposed of 29,029,307 shares with a book value of £1.6m for net consideration of £3.5m resulting in a profit of £1.9m recognised in the Income Statement.

15. Inventories

	2014	2013
	£'000	£'000
Work-in-progress	**42**	-
Patents	**2**	-
	44	-

16. Trade and other receivables

	2014	2013 Restated
	£'000	£'000
Amount receivable for the sale of goods	**2,583**	1,620
Allowance for doubtful debts	**(489)**	(103)
Net receivables	**2,094**	1,517
Other debtors	**340**	436
Accrued income	**357**	462
Prepayments	**305**	278
	3,095	2,693

The average credit period taken on sales of goods and services is 87 days (2013: 50 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.

Included in the Group's trade receivable balance are debtors with a carrying amount of £1 million (2013: £1.3 millions) 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 180 days.

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

	2014	2013 Restated
	£'000	£'000
Customer A	**192**	-
Customer B	**185**	-
Customer C	**158**	-
Customer D	**129**	117
Customer E	**108**	-

Ageing of past due but not impaired receivables

	2014	2013 Restated
	£'000	£'000
30-60 days	**239**	301
60-90 days	**28**	34
90-120 days	**170**	205
120+ days	**569**	753
Total	**1,006**	1,293

16. Trade and other receivables (continued)

Movement in the allowance for doubtful debts

	2014	2013 Restated
	£'000	£'000
Balance at the beginning of the period	**103**	53
Impairment losses recognised	**386**	235
Written off as bad debt	**-**	(185)
Amounts recovered during the period	**-**	-
Balance at the end of the period	**489**	103

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.

Included in the allowance for doubtful debts there are no individually impaired trade receivables which have been placed under liquidation (2013: £3,000). Any impairment recognised represents the difference between the carrying amount of these trade receivables and the present value of the expected liquidation proceeds. The Group does not hold any collateral over these balances.

Ageing of impaired trade receivables

	2014	2013 Restated
	£'000	£'000
Current	**4**	-
30-60 days	**4**	-
60-90	**4**	-
90-120	**-**	-
120+	**476**	103
Total	**489**	103

The directors consider that the carrying amount of trade and other receivables approximates their fair value.

17. Trade and other payables

	2014	2013 Restated
	£'000	£'000
Trade payables	**740**	995
Other taxes and social security	**225**	94
Other payables	**930**	900
Accrued costs	**2,639**	3,511
Deferred income	**263**	200
	4,796	5,700

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 31 days (2013: 37 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.

18. Provisions

	Dilapidation £'000	Employer's NI provision £'000	**Total £'000**
At 1 January 2014	-	-	**-**
Acquisition of subsidiary	197	-	**197**
Increase in provision	125	23	**148**
Utilisation of provision	(157)	-	**(157)**
Release of provision	-	-	**-**
At 31 December 2014	165	23	188
Of which is: current	165	23	**188**
Of which is: non-current	-	-	**-**

19. Share capital

	2014 No. of shares	2013 Restated No. of shares
Allotted, called up and fully paid:		
Ordinary share of US$0.0001 each	**-**	1,829,760
Preference A shares of US$0.0001 each	**-**	563,825
Ordinary A share of £0.10 each	**108,326,340**	-

	2014 £'000	2013 Restated £'000
Allotted, called up and fully paid		
At 1 January 2014	**-**	-
Legal parent opening share capital	**2,066**	-
Shares issued in the period		
Placing shares and subscription shares	**2,226**	-
Vendor consideration shares	**6,134**	-
Loan conversion	**407**	-
At 31 December 2014	**10,833**	-

The Group has one class of ordinary shares which carry no right to fixed income.

20. Other reserves

	Reverse acquisition reserve	Foreign exchange translation reserve	Asset for sale reserve	**Other capital reserves**
	£'000	£'000	£'000	**£'000**
At 1 January 2013 and 2014	-	-	-	**-**
Acquisition of subsidiary	(4,430)	-	-	**(4,430)**
Other comprehensive income	-	(31)	3,004	**2,973**
At 31 December 2014	(4,430)	(31)	3,004	**(1,456)**

21. Convertible loan note

	2014	2013 Restated
Fair value of net proceeds	**£'000**	£'000
Embedded derivative	**-**	140
Liability component	**-**	860
Net proceeds of issue	-	1,000
Liability component at date of issue	**-**	860
Interest charge for the year	**-**	12
Liability component	**-**	872

In November 2013, 7digital Group, Inc. received a £1 million loan from 7digital Group plc (formerly UBC Media Group plc) under terms of a convertible loan note that accrued interest at rates between 5 per cent and 7 per cent. Monthly repayments of capital plus accrued interest over a 24-month period commence on 1 May 2014 or earlier under specified circumstances. IAS 32 deals with the classification of capital instruments between debt and equity. Where compound instruments are present, IAS 32 requires them to be split into their debt and equity elements, with each element being accounted for separately. At 31 December 2013, the loan consisted of two components:

- A host instrument, held at amortised cost
- A single component embedded derivative that compromises multiple embedded derivatives that expose 7digital Group, Inc. to inter-related risks. The compound embedded derivative has been recognised separately as a derivative at fair value through profit and loss (FVTPL)

7digital Group, Inc. and 7digital Group plc became part of the same group in June 2014 resulting with the loan being eliminated on consolidation.

22. Treasury reserve

The treasury reserve represents the cost of shares in 7digital Group plc purchased in the market and held by 7digital Group plc in treasury. The number of shares held in treasury at 31 December 2014 was 1,020,752 (2013: nil), and were valued at £215,356 (2013: £nil).

23. Operating lease arrangements

The Group as lessee	2014	2013 Restated
	£'000	£'000
Minimum lease payments under operating leases recognised as an expense in the year	**449**	266

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2014	2013 Restated
	£'000	£'000
Within one year	**452**	493
In the second to fifth year inclusive	**1,012**	1,478
	1,464	1,971

Operating lease payments represent rentals payable by the Group for its office properties and equipment. Property leases are negotiated for an average term of ten years and equipment for an average term of three year.

24. Retirement benefit schemes

Defined contribution schemes

The Group operates defined contribution retirement benefit schemes for qualifying employees. The total cost charged to income of £155,000 (2013: £22,000) represents contributions payable to these schemes by the Group at rates specified in the rules of the plans. As at 31 December 2014, all contributions due in respect of the current reporting period have been paid over to the schemes (2013: £nil).

25. Related party transactions

Transactions between the 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 16 and 17.

Remuneration of key management personnel

	2014	2013 Restated
	£'000	£'000
Short- term employment benefits	**309**	151
Post-employment benefits	**8**	-
	317	151

26. Share-based payments

105 members of staff hold options to subscribe for shares in the Company under the 7digital Group plc enterprise management incentive scheme (approved by the Board on 10 June 2014).

	2014 Options	**Weighted average exercise price**	2013 Options	Weighted average exercise price
Outstanding at the beginning of the period	**-**	**-**	-	**-**
Granted during the period	**2,955,102**	**0.00p**	-	-
Forfeited during the period	**-**	**-**	-	-
Exercised during the period	**-**	**-**	-	-
Outstanding at the end of the period	**2,955,102**	**0.00p**	-	-
Exercisable at the end of the period	**912,893**	**0.00p**	-	-

No members of staff exercised during the period (2013: £nil). There are 2,955,102 options outstanding at 31 December 2014 (2013: nil) of which 912,893 are exercisable.

The above shows the current scheme for 7digital Group plc. 7digital Group, Inc. had an EMI scheme. On 1 January 2014, there were 137,950 share option outstanding to 7digital Group, Inc. employees. These share options were exercised prior to the reverse acquisition on 9 June 2014.

27. 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 19 to 22. The Group does not have any external borrowings, does not have access to committed borrowing facilities, and is not subject to externally imposed capital requirements.

Categories of financial instruments

	2014	2013 Restated
Financial assets	**£'000**	£'000
Cash and cash equivalents	**5,312**	1,290
Loan and receivables	**2,841**	2,415
Financial liabilities at amortised cost		
Convertible loan note: amortised costs	**-**	(947)
Trade and other payables	**(4,991)**	(2,130)
Financial liabilities at FVTPL		
Embedded derivative	**-**	(140)

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

Financial and market risk management objectives

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

27. Financial instruments (continued)

Currency risk management

The Group has exposure to foreign currency risk due to subsidiaries in Luxembourg and United States. The Group manages the risk by holding cash in numerous currencies to avoid foreign exchange charges on payments and receipts. The Group is exposed to translation variances on consolidation. The Group translates balances from foreign subsidiaries relating to the Income Statement at the yearly average exchange rate and balances relating to the Statement of Financial Position at the year-end exchange rate.

Interest rate risk managementand 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 financial liabilities are non-interest bearing and fall due within one month.

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.

Independent auditor's report to the members of 7digital Group plc

We have audited the Parent Company financial statements of 7digital Group plc for the period ended 31 December 2014 which comprise the Parent Company Balance Sheet, the Parent Company Reconciliation of Shareholders' Funds and the related Notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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.

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibility (set out on page 12), the directors are responsible for the preparation of the Parent Company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Parent Company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the Parent Company financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2014 and of its loss for the year then ended;
- 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.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the Parent Company financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where 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.

Other matters

We have reported separately on the Group financial statements of 7digital plc for the period ended 31 December 2014.

Scott Lawrence (Senior Statutory Auditor)
For and on behalf of Hazlewood's LLP
Chartered Accountants and Statutory Auditor
Cheltenham

24 March 2015

7digital Group plc

Parent Company Balance Sheet & Reconciliation of Shareholder's Funds
For the period ended 31 December 2014

	Notes	At 31 Dec 2014 £'000	At 31 Mar 2014
Fixed asset investments	B	**19,570**	2,167
Current assets			
Debtors			
- due after more than one year	C	**1,068**	-
- due within one year	C	**5,897**	2,043
Cash at bank and in hand		**4,453**	425
		11,418	2,468
Creditors: amounts falling due within one year	D	**(412)**	(588)
Net current assets		**11,006**	1,880
Total assets less current liabilities		**30,576**	4,047
Provisions for liabilities and charges - non-current		**(23)**	-
Net assets		**30,552**	4,047
Capital and reserves			
Called up share capital	E	**10,833**	2,066
Share premium account		**17,278**	2,734
Convertible loan		**-**	100
Own shares		**(215)**	(183)
Profit and loss account		**2,657**	(670)
Shareholders' funds		**30,552**	4,047

This Company Balance Sheet and related notes for company registration number 03958483 were approved by the Board of Directors on 24 March 2015 and were signed on its behalf by

Chris Dent
Director

	Share capital £'000	Share premium account £'000	Convertible loan £'000	Own shares £'000	Accumulated profits £'000	**Total £'000**
At 1 April 2014	**2,066**	**2,734**	**100**	**(183)**	**(670)**	**4,047**
Profit for the period	-	-	-	-	1,018	**1,018**
Gain on sale of investment	-	-	-	-	1,968	**1,968**
Share issue	8,766	14,545	(100)	-	-	**23,211**
Transaction in treasury shares	-	-	-	(33)	-	**(33)**
Share based payment	-	-	-	-	340	**340**
At 31 December 2014	**10,833**	**17,279**	**-**	**(216)**	**2,657**	**30,552**

7digital Group plc
Notes to the Parent Company financial statements
For the year ended 31 December 2014

A. Principal accounting policies

The parent company 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. A summary of the more important accounting policies, which have been consistently applied throughout the current and prior year except as noted, is set out below.

The results, assets and liabilities of the Company are included in the consolidated financial statements of 7digital Group plc, which are publicly available. Consequently, the Company has taken exemption from preparing a cash flow statement under the terms of FRS 1 (revised) 'Cash Flow Statements'. The Company is also exempt under the terms of FRS 8 'Related Party Disclosures' from disclosing related party transactions with entities that are part of the Group. The Company has also taken the exemption available in respect of the requirement of FRS 29 'Financial Instruments: Disclosures'

Result for the year

As permitted by section 408 of the Companies Act 2006 the Company has not elected to present its own profit and loss account for the year. 7digital Group plc reported a profit for the financial period ended 31 December 2014 of £1,018,000 (2013: loss £678,000).

The average number of employees throughout 2014 was two (2013: two). Staff costs amounted to £0.2m (2013: £0.2m). Information about the remuneration of directors is provided in the audited part of the Directors' Remuneration Report on pages 16 and 17 of the consolidated financial statements.

Fixed asset investments

Fixed asset investments are shown at cost less provision, if appropriate, for any impairment.

B. Fixed asset investments

	£'000
Cost	
At 1 April 2013	2,194
Additions in year	783
At 31 March 2014	2,977
Additions in period	18,529
Disposals	(1,126)
At 31 December 2014	**20,380**
Provision for impairment	
At 1 April 2013	(810)
Additions in year	-
At 31 March 2014	(810)
Additions in period	-
At 31 December 2014	**(810)**
Net book value at 31 December 14	**19,570**
Net book value at 31 March 14	2,167

B. Fixed asset investments (continued)

Principal subsidiaries, joint ventures and associates

Subsidiaries	Ordinary shares held at 31 December 2014	Country of incorporation
	%	
The New Unique Broadcasting Company Limited	100	England and Wales
Smooth Operations (Productions) Limited	100	England and Wales
Unique Interactive Limited	100	England and Wales
7digital Limited	100	England and Wales
SD Music Stores Limited	100	England and Wales
7digital Europe SARL	100	Luxembourg
7digital Inc.	100	Delaware, United States of America
7digital Group, Inc.	100	Delaware, United States of America

C. Debtors

	31 December 2014	31 March 2014
Due within one year:	**£'000**	£'000
Other debtors	**5,826**	2,018
Prepayments and accrued income	**72**	25
	5,897	2,043
Due after one year:		
Amounts owed by group undertakings	**1,068**	-

D. Creditors: amounts falling due within one year

	31 December 2014	31 March 2014
	£'000	£'000
Trade creditors	**114**	52
Other creditors	**113**	267
Accruals and deferred income	**185**	269
	412	588

E. Share capital

	31 December 2014	31 March 2014
Allotted, called up and fully paid:		
108,326,340 ordinary shares of 10p each (31 Mar 2014: 206,619,472 of 1p each)	**10,833**	2,066

Issued share capital

The Group has one class of ordinary shares which carry no right to fixed income.

7digital Group plc
General Information & Advisers

Registered office
69 Wilson Street
London EC2A 2BB

Country of Incorporation

United Kingdom

Registered number

03958483

Nominated adviser and joint broker

finnCap
60 New Broad Street
London
EC2M 1JJ

Joint broker
Investec
2 Gresham Street
London
EC2V 7QP

Solicitors

Beachcroft LLP
3 Hardman Street
Manchester
M3 3HF

Principal bankers

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

Registrars

Capita Registrars
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

Auditor

Hazlewoods LLP
Chartered Accountants
Windsor House
Bayshill Road
Cheltenham
GL50 3AT