

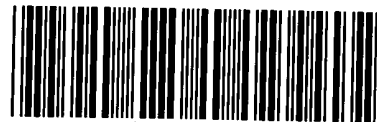
**Company Registration No. 04034961**

**7digital Trading Limited**

**Report and Financial Statements**

**31 December 2016**

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# **7digital Trading Limited**

## **Report and Financial Statements 2016**

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# **7digital Trading Limited**

## **Report and Financial Statements 2016**

### **Officers and Professional Advisers**

#### **Directors**

Mr S A Cole  
Mr M A Honey  
Mr P R I Langworthy

#### **Secretary**

Mr M A Honey

#### **Registered Office**

69 Wilson Street  
London  
EC2A 2BB

#### **Bankers**

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

#### **Auditor**

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

# 7digital Trading Limited

## Directors' Report

The Directors have pleasure in presenting their report and the audited financial statements of the Company for the year ended 31 December 2016. The Directors' Report has been prepared in accordance with the special provisions relating to small companies under s415(A) of the Companies Act 2006.

### Principal Activity

The principle activity of 7digital Trading Limited is the provision of music streaming and radio services.

### Going concern

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the financial statements.

Further details regarding the adoption of the going concern basis can be found in the Statement of accounting policies in Note 1 to the financial statements.

### Results and dividends

The profit for the year amounted to £286,733 (2015: £578,812) . The Company has not paid a dividend (2015: £nil).

### Directors

The Directors who served the Company during the year, unless otherwise noted, were as follows:

Mr M A Honey (Appointed 16<sup>th</sup> June 2016)

Mr S A Cole

Mr P R I Langworthy (Appointed 09<sup>th</sup> March 2016)

Mr J C S Dent (Resigned 31<sup>st</sup> March 2016)

### Auditor


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

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company'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.

Hazlewoods LLP are deemed to be re-appointed under s487(2) of the Companies Act 2006.

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



Mr M A Honey  
Company Secretary

29 September 2017

## **7digital Trading Limited**

### **Statement of Directors' Responsibilities**

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and 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.

## **7digital Trading Limited**

### **Independent Auditor's Report to the members of 7digital Trading Limited**

We have audited the financial statements of 7digital Trading Limited for the year ended 31 December 2016, set out on pages 6 to 12. The financial reporting framework that has been applied in their preparation is applicable law United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS101 'Reduced Disclosure Framework'.

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' Responsibilities (set out on page 3), the Directors are responsible for the preparation of the 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 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 (APB'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 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 Directors' Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

#### **Emphasis of Matter**

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 2 concerning the company's ability to continue as a going concern. In order to continue operations for the next 12 months the company is dependent on the group as a whole continuing to contract additional business with existing customers and new customers and/or cost cutting measures and the directors have prepared forecasts on this basis. This condition indicates the existence of a material uncertainty which may cause doubt as to the company's ability to continue as a going concern. The financial statements do not include the adjustments that would results if the group was unable to continue as a going concern.

#### **Opinion on the financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2016 and of its result 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 matter prescribed by the Companies Act 2006**

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

- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' Report has been prepared in accordance with the applicable legal requirements.

In light of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Directors' Report.

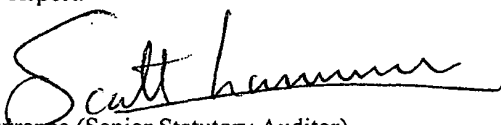
## 7digital Trading Limited

### Independent Auditor's Report to the members of 7digital Trading Limited

#### 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, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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; or
- the Directors were not entitled to prepare the financial statements and the Directors' Report in accordance with the small companies regime and take advantage of the small companies exemption from the requirement to prepare a Strategic Report.



Scott Lawrence (Senior Statutory Auditor)  
for and on behalf of Hazlewoods LLP  
Chartered Accountants and Statutory Auditor  
Cheltenham, United Kingdom  
29 September 2017

## 7digital Trading Limited

### Income Statement Year ended 31 December 2016

	Notes	2016 £	2015 £
Turnover	3	5,539,438	6,303,289
Cost of sales		(5,245,160)	(5,715,431)
<b>Gross profit</b>		<b>294,278</b>	<b>587,858</b>
Administrative expenses		(7,327)	(8,921)
<b>Profit on ordinary activities before finance charges</b>		<b>286,951</b>	<b>578,937</b>
Interest payable and similar charges		(218)	(125)
<b>Profit on ordinary activities before taxation</b>		<b>286,733</b>	<b>578,812</b>
Tax on profit on ordinary activities	7	-	-
<b>Profit on ordinary activities after taxation</b>		<b>286,733</b>	<b>578,812</b>

All of the activities of the Company are classed as continuing.

The Company has no recognised gains or losses other than the results for the current and prior year as set out above, and accordingly the above is also the Company's statement of total comprehensive income for the year.




## 7digital Trading Limited

### Statement of Financial Position As at 31 December 2016

	Notes	2016 £	2015 £
<b>Current assets</b>			
Debtors	8	11,420,503	5,797,421
Cash at bank and in hand		1,959	9,891
		<u>11,422,462</u>	<u>5,807,312</u>
<b>Creditors: amounts falling due within one year</b>	9	<u>(10,556,917)</u>	<u>(5,228,500)</u>
<b>Net current liabilities</b>		<u>865,545</u>	<u>578,812</u>
<b>Total assets less current liabilities</b>		<u>865,545</u>	<u>578,812</u>
<b>Net assets</b>		<u>865,545</u>	<u>578,812</u>
<b>Capital and reserves</b>			
Called up share capital	10	100,000	100,000
Share premium		510,487	510,487
Profit and loss account		255,058	(31,675)
<b>Shareholders' funds</b>		<u>865,545</u>	<u>578,812</u>

These financial statements have been prepared in accordance with the special provisions relating to companies subject to the small companies regime within Part 15 of the Companies Act 2006 and FRS 101. The financial statements of 7digital Trading Limited, registered number 04034961 were approved by the Board of Directors and authorised for issue on 29 September 2017 and signed on their behalf by:

  
Mr M A Honey  
Director

## 7digital Trading Limited

### Statement of Changes in Equity As at 31 December 2016

	Share capital £	Share premium account £	Retained earnings £	Total £
<b>At 1 January 2015</b>	100,000	510,487	(610,487)	-
Profit for the period	-	-	578,812	<b>578,812</b>
<b>At 1 January 2016</b>	100,000	510,487	(31,675)	<b>578,812</b>
Profit for the period	-	-	286,733	<b>286,733</b>
<b>At 31 December 2016</b>	<b>100,000</b>	<b>510,487</b>	<b>255,058</b>	<b>865,545</b>

## **7digital Trading Limited**

### **Notes to the Financial Statements Year ended 31 December 2016**

#### **1. General Information**

The company is a private company limited by share capital incorporated in England and Wales. The address of the registered office is given on page 1.

#### **2. Accounting policies**

##### **Basis of accounting**

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards.

##### **Disclosure exemptions**

In preparing the financial statements in accordance with United Kingdom Generally Accepted Accounting Principles, Financial Reporting Standard 101, the Company has undertaken advantage of the following International Financial Reporting Standards (IFRS) disclosure exemptions:

- (a) the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share based Payment, because:
  - (i) the share based payment arrangement concerns the instruments of another group entity;
- (b) the requirements of IFRS 7 Financial Instruments: Disclosures,
- (c) the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement
- (d) the requirements of paragraphs 10(d), 10(f), 39(c) and 134-136 of IAS 1 Presentation of Financial Statements;
- (e) the requirements of IAS 7 Statement of Cash Flows;
- (f) the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- (g) the requirements of paragraph 17 of IAS 24 Related Party Disclosures; and
- (h) the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

##### **Going concern**

The financial statements have been prepared on a going concern basis, which assumes that the Company will be able to access sufficient resources via Group funding to enable it to continue trading for the foreseeable future.

The directors have prepared Group financial forecasts, projections and funding plans, taking account of the reasonable potential fluctuation in trading performance, which show that the Group will have adequate resources to continue in existence for the foreseeable future. These forecasts, projections and plans are dependent on the group as a whole continuing to contract additional business with existing customers, new customers and/or cost cutting measures. The Directors believe that the Company is adequately placed to managed its business risks successfully. In addition, the Directors are in receipt of a letter of support from its parent company, 7digital Group plc, confirming that the parent will provide financial support as necessary to enable to Company to pay its debts as and when they become due for a period of not less than 12 months form the date of the signing of these accounts. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

##### **Consolidation**

The Company has taken advantage of the exemption under s400 of the Companies Act 2006 not to prepare group accounts as it is a wholly owned subsidiary of 7digital Group plc. The results of the Company are included in the consolidated financial statements of 7digital Group plc which are available from 69 Wilson Street, London, EC2A 2BB.

##### **Revenue**

Revenue represents amounts receivable for the provision of staff excluding Value Added Tax and trade discounts.

## 7digital Trading Limited

### Notes to the Financial Statements Year ended 31 December 2016

#### 2. Accounting policies (continued)

##### Foreign currency

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.

##### 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

##### *Forecasting*

The Company 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 Company's financial statements including the decision on whether to recognise deferred tax assets and for the Company'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.

##### *Taxation*

Management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies.

#### 3. Turnover

The turnover and loss before tax are attributable to the one principal activity of the Company. An analysis of turnover destination is given below. All turnover relates to the rendering of services.

	2016	2015
	£	£
United Kingdom	5,539,438	6,303,289
Europe	-	-
Rest of world	-	-
	<u>5,539,438</u>	<u>6,303,289</u>

#### 4. Operating profit

	2016	2015
	£	£
After charging:		
Auditor's remuneration:		
- as auditor	<u>3,000</u>	<u>3,000</u>

## 7digital Trading Limited

### Notes to the Financial Statements Year ended 31 December 2016

#### 5. Particulars of employees

The average number of staff employed by the company during the financial year amounted to:

	2016 No.	2015 No.
Management and administration	12	14
Production, editorial and sales	85	91
	<u>97</u>	<u>105</u>

	2016 £	2015 £
Wages and salaries	4,600,548	4,988,555
Social security costs	504,337	570,693
Other pension costs	140,275	156,184
	<u>5,245,160</u>	<u>5,715,432</u>

#### 6. Directors' remuneration

During the year, no Director received any emoluments (2015: £nil)

#### 7. Taxation on ordinary activities

##### (a) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 20% (2015: 20.25%).

	2016 £	2015 £
Profit on ordinary activities before tax	286,733	578,812
Tax on above profit at UK corporation tax rate of 20% (2015: 20.25%)	57,347	117,190
Group relief surrendered/(claimed)	(77,855)	(122,552)
Adjust closing deferred tax to average rate of 20%	3,953	657
Adjust opening deferred tax to average rate of 20%	(585)	(7)
Deferred tax not recognised	17,140	4,712
Total current tax	<u>-</u>	<u>-</u>

##### (b) Factors that may affect future tax charges

A deferred tax asset for losses available for carry forward against future UK taxable profits of £22,401 (2015: £5,261) has not been recognised on the basis that the deferred tax asset is only recognised to the extent that the transfer of economic benefits in future is more likely than not. The deferred tax asset not recognised is an asset calculated at 17% (2015: 18%) of the deferred tax losses, being the rate at which the Directors expect the losses will be utilised against future profits.

## 7digital Trading Limited

### Notes to the Financial Statements Year ended 31 December 2016

#### 8. Debtors

	2016	2015
	£	£
Amounts owed by group undertakings	11,397,193	5,781,820
Other debtors	23,232	15,203
Tax recoverable	78	398
	<u>11,420,503</u>	<u>5,797,421</u>

#### 9. Creditors: amounts falling due within one year

	2016	2015
	£	£
Trade creditors	651	-
Amounts owed by group undertakings	9,992,066	5,048,599
Taxation and social security	554,023	179,901
Other creditors	9,377	-
Accruals and deferred income	800	-
	<u>10,556,917</u>	<u>5,228,500</u>

#### 10. Share capital

	2016	2015
	£	£
<b>Allotted, called up and fully paid</b>		
99,900 ordinary 'A' shares of £1 each	99,900	99,900
100 ordinary 'B' shares of £1 each	100	100
	<u>100,000</u>	<u>100,000</u>

The classes of share referred to above carry separate rights to dividends but in all other respects rank pari passu.

#### 11. Guarantees

The Company, together with its parent and fellow subsidiaries, is party to a Composite Accounting Agreement with Barclays Bank Plc.

#### 12. Related party transactions

The Company is exempt under the terms of FRS101 from disclosing related party transactions with entities that are part of the 7digital Group plc group or investees of the same group. There were no other related party transactions in the current or prior year.

#### 13. Ultimate parent company

The Company's immediate parent company is 7digital Group plc, a company registered in England and Wales. The Directors also consider 7digital Group plc to be the ultimate parent undertaking and controlling party. 7digital Group plc is the parent of the smallest and the largest group for which group accounts are prepared and of which the Company is a member. A copy of the Group financial statements can be obtained from its registered office, 69 Wilson Street, London, EC2A 2BB.