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If you have sold or otherwise transferred all of your Ordinary Shares, please send this document, together with the accompanying Form of Proxy, to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee. However, such documents should not be forwarded or transmitted in or into any jurisdiction in which such an act would constitute a violation of the relevant laws of such jurisdiction. If you have sold or otherwise transferred some of your Ordinary Shares, you should consult with the stockbroker, bank or other agent through whom the sale or transfer was effected.

This document comprises an AIM admission document and has been drawn up in accordance with the requirements of the AIM Rules for Companies. This document contains no offer of transferable securities to the public within the meaning of sections 85 and 102B of FSMA or the Act or otherwise and is not a prospectus as defined in the Prospectus Rules. Accordingly, neither the contents nor the issue of this document have been approved by the FCA and FSMA pursuant to section 85 of FSMA or any other competent authority.

The Company, the Directors and the Proposed Directors, whose names appear on page 12 of this document, accept responsibility individually and collectively in accordance with the AIM Rules for Companies for the information contained in this document. To the best of the knowledge and belief of the Directors, the Proposed Directors and the Company (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

UBC Media Group plc

(A company incorporated and registered in England & Wales with registered number 03958483)

Proposed Acquisition of 7digital Group, Inc. by the Company's subsidiary 7digital Acquisition, Inc.

Proposed placing of 21,995,761 New Ordinary Shares at 27 pence per New Ordinary Share

Proposed subscription for 259,266 New Ordinary Shares at 27 pence per New Ordinary Share

Proposed 1 for 10 Consolidation

Proposed adoption of New Articles of Association

Proposed name change to 7digital Group plc

Proposed approval of Employee Share Scheme

Admission of the Enlarged Issued Share Capital to trading on AIM and Notice of General Meeting

*Nominated Adviser and
Joint Broker*



Joint Broker



Application will be made for the Enlarged Issued Share Capital to be admitted to trading on AIM. It is expected that Admission will become effective and that dealings in the Enlarged Issued Share Capital will commence on AIM on 10 June 2014.

AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the UK Listing Authority.

A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser.

Each AIM company is required pursuant to the AIM Rules for Companies to have a nominated adviser.

The nominated adviser is required to make a declaration to the London Stock Exchange on admission in the form set out in Schedule Two to the AIM Rules for Nominated Advisers. The London Stock Exchange has not itself examined or approved the contents of this document. The AIM Rules are less demanding than the listing rules of the UK Listing Authority. It is emphasised that no application is being made for admission of these securities to the Official List of the UK Listing Authority. The Ordinary Shares are not dealt on any other recognised investment exchange.

finnCap Ltd, which is authorised and regulated in the United Kingdom by the FCA, is acting as nominated adviser and joint broker to UBC for the purposes of the AIM Rules for Companies and no one else in connection with the Placing and Admission and will not be responsible to any person other than UBC for providing the regulatory and legal protections afforded to customers of finnCap as defined by the FCA Rules nor for providing advice in relation to the contents of this document or any matter, transaction or arrangement referred to in it. The responsibilities of finnCap, as nominated adviser under the AIM Rules for Nominated Advisers, are owed solely to London Stock Exchange and are not owed to UBC or any Director or any Proposed Director or to any other person in respect of their decision to acquire Ordinary Shares in reliance of any part of this document. In particular, the information contained in this document has been prepared solely for the purposes of the Admission and is not intended to inform or be relied upon by any subsequent purchasers of Ordinary Shares (whether on or off exchange) and accordingly no duty of care is accepted in relation to them. Without limiting the statutory rights of any person to whom this document is issued, no representation or warranty, express or implied, is made by finnCap as to the contents of this document. No liability whatsoever is accepted by finnCap for the accuracy of any information or opinions contained in this document, or for omissions of any information from this document, for which the Company and the Directors and Proposed Directors are solely responsible.

Investec Bank plc, which is authorised by the PRA and regulated by the PRA and the FCA, is acting as Joint Broker to UBC and no one else in connection with the Admission and will not be responsible to any person other than UBC for providing the regulatory and legal protections afforded to customers (as defined by the FCA Rules) of Investec nor for providing advice in relation to the contents of this document or any matter, transaction or arrangement referred to in it.

Notice convening a general meeting of UBC to be held at the offices of DAC Beachcroft LLP, 100 Fetter Lane, London EC4A 1BN at 10.00 a.m. on 9 June 2014 is set out at the end of this document. The accompanying Form of Proxy for use at the General Meeting should be completed and returned to Capita Asset Services, PXS, 34 Beckenham Road, Kent BR3 4TU as soon as possible and to be valid must arrive by no later than 10.00 a.m. on 7 June 2014.

Copies of this document will be available free of charge during normal business hours on any weekday (except Saturdays, Sundays and public holidays) at the offices of finnCap at 60 New Broad Street, London, EC2M 1JJ, from the date of this document and for a period of one month from the date of Admission. This document will be available to download from UBC's website at www.ubcmedia.com.

IMPORTANT NOTICE

The distribution of this document outside the United Kingdom may be restricted by law and therefore persons outside the United Kingdom into whose possession this document comes should inform themselves about and observe any restrictions as to the Admission, the Ordinary Shares and the distribution of this document. This document does not constitute an offer to sell or issue, or the solicitation of an offer to buy or subscribe for, Ordinary Shares in any jurisdiction in which such offer or solicitation is unlawful. This document should not be copied or distributed by recipients and, in particular should not be distributed, published, reproduced or otherwise made available by any means, including electronic transmission, in, into or from the United States of America, Canada, the Republic of Ireland, the Republic of South Africa, or Japan or any other jurisdiction where to do so would be in breach of any other law and/or regulation. The Ordinary Shares have not been, and will not be, registered in the United States of America under the United States Securities Act of 1933 (as amended) (the "Securities Act") or under the securities laws of any state of the United States of America or under the securities laws of any of Canada, the Republic of Ireland, the Republic of South Africa, or Japan and, subject to certain exemption, may not be offered or sold, directly or indirectly, within or into the United States of America, Canada, the Republic of Ireland, the Republic of South Africa, or Japan or to, or for the account or benefit of, US persons (as such term is defined in Regulation S under the Securities Act) or to any national, resident or citizen of Canada, the Republic of Ireland, the Republic of South Africa, or Japan. Neither this document nor any copy of it may be distributed in or sent to or taken into the United States, Canada, the Republic of Ireland, the Republic of South Africa, or Japan, nor may it be distributed to any US person (within the meaning of Regulation S under the Securities Act). In addition, the securities to which this document relates must not be marketed into any jurisdiction where to do so would be unlawful. Persons into whose possession this document comes should inform themselves about, and observe any such restrictions.

This document is not a disclosure document under the Australian Corporations Act 2001 (Cth) (**Australian Corporations Act**) and does not purport to include the information required of a disclosure document or product disclosure document under the Australian Corporations Act. Neither this document, any other disclosure document nor product disclosure statement in relation to the offer of the Placing Shares has been lodged with the Australian Securities and Investments Commission (**ASIC**). This document does not constitute an offer, invitation, or recommendation in Australia to Australian retail investors to subscribe for or purchase any Placing Shares and neither this document nor anything contained in it shall form the basis of any such contract or commitment. The offer of Placing Shares under this document may only be made to persons to whom it is lawful to offer the Placing Shares without disclosure under Chapter 6D of the Australian Corporations Act and Part 7.9 of the Australian Corporations Act (including "sophisticated investors" or "professional investors" within the meaning of sections 708(8) and 708(11) of the Australian Corporations Act respectively), who are a "wholesale client" within the meaning of section 761G of the Australian Corporations Act, and where such action complies with all applicable laws, regulations and directives and does not require any document to be lodged with ASIC. An investor may not transfer or offer to transfer their Placing Shares to any person located in Australia within 12 months of their issue unless it is lawful to transfer or offer to transfer the Placing Shares without disclosure under Chapter 6D or Part 7.9 of the Australian Corporations Act, the person is

a “wholesale client” within the meaning of section 761G of the Australian Corporations Act, and otherwise in accordance with that Act.

No person has been authorised to give any information or to make any representation about the Enlarged Group and about the matters the subject of this document other than those contained in this document. If any such information or representation is given or made then it must not be relied upon as having been so authorised. The delivery of this document shall not imply that no change has occurred in any member of the Enlarged Group’s affairs since the date of issue of this document or that the information in this document is correct as at any time after the date of this document, save as shall be required to be updated by law or regulation.

FORWARD-LOOKING STATEMENTS

This document includes “forward-looking statements” which include all statements other than statements of historical facts, including, without limitation, those regarding the Enlarged Group’s financial position, business strategy, plans and objectives of management for future operations, or any statements preceded by, followed by or that include the words “targets”, “believes”, “expects”, “aims”, “intends”, “will”, “may”, “anticipates”, “would”, “could” or similar expressions or negatives thereof. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors beyond the Company’s control that could cause the actual results, performance or achievements of the Enlarged Group to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Enlarged Group’s present and future business strategies and the environment in which the Enlarged Group will operate in the future. These forward-looking statements speak only as at the date of this document. The Company expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward-looking statements contained herein to reflect any change in the Company’s expectations with regard thereto or any change in events, conditions or circumstances on which any such statements are based unless required to do so by applicable law, the AIM Rules for Companies or by any applicable regulatory authority.

BASIS ON WHICH INFORMATION IS PRESENTED

The report on financial information included in Part IV of this document has been prepared in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom and the related consent to its inclusion in this document appearing in Part VI of this document has been included as required by the AIM Rules for Companies and solely for that purpose.

Various figures and percentages in tables in this document, including financial information, have been rounded and accordingly may not total. As a result of this rounding, the totals of data presented in this document may vary slightly from the actual arithmetical totals of such data.

THIRD PARTY INFORMATION

Where third party information has been used in this document, the source of such information has been identified. The Company takes responsibility for compiling and extracting, but has not independently verified, market data provided by third parties or industry or general publications and takes no further responsibility for such data.

REFERENCES TO DEFINED TERMS

Certain terms used in this document are defined and certain technical and other terms used in this document are explained at the section of this document under the heading “Definitions”.

All times referred to in this document are, unless otherwise stated, references to London time.

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EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Publication date of this document	20 May 2014
Latest time and date for receipt of Forms of Proxy	10.00 a.m. on 7 June 2014
General Meeting	10.00 a.m. on 9 June 2014
Record date for Share Consolidation	6.00 p.m. on 9 June 2014
Completion of the Acquisition	10 June 2014
Admission effective and dealings in the Enlarged Issued Share Capital expected to commence on AIM	10 June 2014
CREST accounts expected to be credited with the New Ordinary Shares, Placing Shares, Subscription Shares and Vendor Consideration Shares	10 June 2014
Definitive share certificates for the New Ordinary Shares, Placing Shares, Subscription Shares and Vendor Consideration Shares to be dispatched by	30 June 2014

Each of the times and dates above is subject to change. Any such change will be notified by an announcement on a Regulatory Information Service.

ADMISSION AND ACQUISITION STATISTICS

Number of Ordinary Shares in issue at the date of this document	206,619,545
Basis of Share Consolidation	1 New Ordinary Share for every 10 Ordinary Shares
New Ordinary Shares in issue following the Share Consolidation and immediately prior to Admission	20,661,954
Number of Placing Shares and Subscription Shares	22,255,027
Placing Shares and Subscription Shares expressed as a percentage of the Enlarged Total Voting Rights	20.7 per cent.
Number of Escrow Shares	20,445,095
Escrow Shares expressed as percentage of the Enlarged Total Voting Rights	19.0 per cent.
Number of Vendor Consideration Shares	61,335,286
Vendor Consideration Shares expressed as a percentage of the Enlarged Total Voting Rights	57.1 per cent.
Number of Imagination Shares	4,074,073
Placing Price per New Ordinary Share (before consolidation/after consolidation)	2.7/27 pence
Enlarged Issued Share Capital on Admission	108,326,340
Gross proceeds receivable by the Company pursuant to the Placing and Subscription	£6.0 million
Market capitalisation of the Company at Admission at the Placing Price	£29.2 million
Current ISIN	GB0009021063
ISIN on Admission	GB00BMH46555
TIDM on Admission	7DIG

DEFINITIONS

The following definitions apply throughout this document, unless the context otherwise requires:

“7digital Acquisition”	7digital Acquisition, Inc., the Delaware subsidiary of UBC
“7digital”	7digital Group, Inc.
“7digital Group”	7digital and its Subsidiaries from time to time
“Act”	the Companies Act 2006, as amended
“Accountants’ Report”	the report on the historical financial information relating to 7digital which is set out in Part IV of this document
“Acquisition”	the Company’s proposed acquisition, through 7digital Acquisition, of the entire issued and to be issued share capital of 7digital pursuant to the terms of the Merger Agreement
“Admission”	the admission of the Enlarged Issued Share Capital to trading on AIM becoming effective in accordance with the AIM Rules for Companies
“AIM”	the market of that name operated by the London Stock Exchange
“AIM Rules”	together, the AIM Rules for Companies and, where the context requires, the AIM Rules for Nominated Advisers
“AIM Rules for Companies”	the rules for companies whose securities are admitted to trading on AIM published by the London Stock Exchange
“AIM Rules for Nominated Advisers”	the rules for nominated advisers setting out the eligibility, ongoing obligations and certain disciplinary matters in relation to nominated advisers published by the London Stock Exchange
“applicable employee”	as defined in the AIM Rules for Companies
“Audioboo”	Audioboo Limited
“Audit Committee”	the audit committee of the Company as constituted from time to time
“certificated” or “in certificated form”	a share or other security which is not in uncertificated form (i.e. not in CREST)
“City Code” or “Takeover Code”	the City Code on Takeovers and Mergers
“Company” or “UBC”	UBC Media Group plc, a company registered in England and Wales with company number 03958483
“Completion”	completion of the Acquisition in accordance with the terms of the Merger Agreement
“Consequential Proposals”	together, the proposed adoption of the New Articles, the Share Consolidation, the change of the Company’s name to 7digital Group plc and the adoption of the Employee Share Scheme
“Contribution Agreement”	the power of attorney, representation and contribution agreement dated 20 May 2014 further details of which are set out in paragraph 14.5 of Part VI of this document
“Corporate Governance Code”	the UK Corporate Governance Code issued from time to time by the Financial Reporting Council

“Court”	the High Court of Justice of England and Wales
“CREST”	the electronic system for the holding and transferring of shares and other securities in paperless form operated by Euroclear UK & Ireland Limited
“CREST Regulations”	the Uncertificated Securities Regulations 2001 (SI 2001/3755)
“DC Thomson”	DC Thomson & Co. Ltd
“Directors” or “Board”	the directors of the Company at the date of this document, whose names are set out on page 12 of this document (each being a “Director”)
“Disclosure and Transparency Rules”	the disclosure and transparency rules issued by the FCA acting in its capacity as the competent authority for the purposes of Part VI of FSMA
“Dolby”	Dolby International AB
“EIS”	Enterprise Investment Scheme under the provisions of Part 5 of the Income Tax Act 2007
“Employee Share Scheme”	The 7digital Group Plc 2014 Share Plan, approval for which will be sought from Shareholders at the General Meeting
“Enlarged Group”	the Company and its Subsidiaries (including, for the avoidance of doubt, the 7digital Group) on Admission
“Enlarged Issued Share Capital”	the issued ordinary share capital of the Company on Admission, being the Existing Issued Share Capital (following the Share Consolidation) together with the Placing Shares, the Subscription Shares, the Imagination Shares and the Vendor Consideration Shares
“Enlarged Total Voting Rights”	the 107,422,209 New Ordinary Shares with voting rights as at Admission
“equity securities”	as defined in section 560 of the Act
“Escrow Agreement”	the escrow agreement dated 20 May 2014 and made between (1) the Company, (2) the Sellers’ Representative and (3) Capita Trust Limited
“Escrow Shares”	the Vendor Consideration Shares which are held by Capita Trust Limited pursuant to the terms of the Escrow Agreement
“EU”	European Union
“Existing Articles”	the articles of association of the Company as at the date of this document
“Existing Issued Share Capital”	the 206,619,545 Ordinary Shares as at the date of this document
“Existing Total Voting Rights”	the 197,578,235 Ordinary Shares with voting rights as at the date of this document, being the Existing Issued Share Capital less the Ordinary Shares held in treasury
“finnCap”	finnCap Ltd, nominated adviser and joint broker to the Company
“Form of Proxy” or “Proxy Form”	the form of proxy accompanying this document for use in connection with the General Meeting

“FCA”	the Financial Conduct Authority
“FCA Rules”	the rules for financial services firms published by the Financial Conduct Authority
“FSMA”	the Financial Services and Markets Act 2000, as amended
“General Meeting” or “GM”	the general meeting of the Company to be held at the offices of DAC Beachcroft LLP, 100 Fetter Lane, London EC4A 1BN at 10.00 a.m. on 9 June 2014, notice of which is set out at the end of this document
“Goodmans”	Goodmans Capital Investments Limited
“Goodmans or Hilco Related Entity”	a person or group of persons or entity more than 50 per cent. of whose ultimate beneficial ownership is the same as more than 50 per cent. of the ultimate beneficial ownership of Goodmans or Hilco Trading LLC
“Group”	the Company and its Subsidiaries prior to Admission
“Hilco”	Hilco Capital Limited
“HMRC”	HM Revenue & Customs
“IFRS”	International Financial Reporting Standards as adopted by the EU
“Imagination”	Imagination Technologies Group plc
“Imagination Bridge Loan”	the £1 million bridge loan extended to 7digital by Imagination, further details of which are set out in paragraph 15.7 of Part VI
“Imagination Bridge Loan Shares”	the 3,703,703 New Ordinary Shares to be issued to Imagination pursuant to the terms of the Imagination Bridge Loan at the Placing Price
“Imagination Convertible Loan”	the convertible loan note agreement between the Company and Imagination, further details of which are set out in paragraph 14.19 in Part VI
“Imagination Convertible Loan Shares”	the 370,370 New Ordinary Shares to be issued to Imagination pursuant to the Imagination Convertible Loan
“Imagination Shares”	the Imagination Bridge Loan Shares and the Imagination Convertible Loan Shares
“Indemnitors’ Representative”	Ben Drury
“Investec”	Investec Bank plc, joint broker to the Company
“IP”	intellectual property
“ISIN”	International Securities Identification Number
“Locked in Parties”	Ben Drury, Simon Cole, Chris Dent, Imagination, Dolby and Goodmans
“London Stock Exchange”	London Stock Exchange plc
“Main Vendors”	Ben Drury, James Martin Kane, Dolby, Imagination and Goodmans
“Merger Agreement”	the conditional agreement dated 20 May 2014 and entered into between (1) the Company, (2) 7digital Acquisition, (3) 7digital and (4) the Indemnitors’ Representative relating to the Acquisition,

	further details of which are set out in paragraph 14.3 of Part VI of this document
“New Articles”	the proposed new articles of association of the Company on Admission, a summary of which is set out in paragraph 5 of Part VI of this document
“New Board”	the Company’s proposed board of directors of the Enlarged Group following Admission, being Sir Donald Cruickshank, Simon Cole, Ben Drury, Chris Dent, Eric Cohen and Sir Hossein Yassaie
“New Ordinary Shares”	the proposed new ordinary shares of 10 pence nominal value each in the capital of the Company to be created pursuant to the Share Consolidation
“Notice”	the notice convening the General Meeting, which is set out at the end of this document
“Official List”	the Official List of the UK Listing Authority
“One Delta”	One Delta plc
“Option”	an option over Ordinary Shares granted by the Company
“Ordinary Shares”	ordinary shares of 1 penny each in the capital of the Company
“Placees”	the persons who have confirmed their agreement to participate in the Placing and to subscribe for the Placing Shares
“Placing”	the conditional placing by finnCap and Investec of the Placing Shares at the Placing Price pursuant to the Placing Agreement
“Placing Agreement”	the conditional agreement dated 20 May 2014 between the Company, the Directors, the Proposed Directors, finnCap and Investec, relating to <i>inter alia</i> , the Placing, details of which are set out at paragraph 14.6 of Part VI of this document
“Placing Price”	2.7 pence per Ordinary Share or 27 pence per New Ordinary Share
“Placing Shares”	the 21,995,761 New Ordinary Shares to be issued by the Company following the Share Consolidation pursuant to the Placing at the Placing Price
“PRA”	Prudential Regulation Authority
“Proposals”	together, the Acquisition, the Placing and the Subscription
“Proposed Directors”	the directors of the Enlarged Group to be appointed at Completion, being Ben Drury, Sir Donald Cruickshank, Sir Hossein Yassaie and Eric Cohen (each a “Proposed Director”)
“QCA Guidelines”	the Quoted Companies Alliance’s Corporate Governance Guidelines for Smaller Quoted Companies
“Prospectus Rules”	the rules published by the FCA under section 73A FSMA
“Remuneration Committee”	the remuneration committee of the Company as constituted from time to time
“Resolutions”	the resolutions to be proposed at the General Meeting (and each a “Resolution”)

“Share Consolidation”	the proposed 1 for 10 Ordinary Share consolidation, details of which are set out in paragraph 14 of Part I of this document
“Shareholders”	holders of Ordinary Shares
“Subscription”	the conditional subscription for the Subscription Shares pursuant to the Subscription Agreements
“Subscription Agreements”	the conditional letter agreements dated 19 May 2014 pursuant to which the Subscription Shares were subscribed for by way of direct applications to the Company
“Subscription Shares”	the 259,266 New Ordinary Shares to be subscribed for at the Placing Price pursuant to the Subscription Agreements
“Subsidiary”	a subsidiary undertaking (as defined by section 1162 of the Act) of the Company and “Subsidiaries” shall be construed accordingly
“substantial shareholder”	as defined in the AIM Rules for Companies
“Takeover Panel” or “Panel”	the Panel on Takeovers and Mergers
“UK” or “United Kingdom”	United Kingdom of Great Britain and Northern Ireland
“UK Listing Authority”	the Financial Conduct Authority acting in its capacity of competent authority for the purposes of Part IV of FSMA
“uncertificated”	an Ordinary Share recorded on the Company’s register as being held in uncertificated form in CREST, and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST
“VCT” or “VCT Scheme”	Venture Capital Trust scheme under the provisions of Part 6 of the Income Tax Act 2007
“Vendors”	together, the Main Vendors and other holders of stock in 7digital
“Vendor Consideration Shares”	the 61,335,286 New Ordinary Shares to be issued to the Vendors or their nominees, pursuant to the Merger Agreement
“£” or “sterling”	UK pounds sterling
“US\$”	United States dollars

GLOSSARY OF TECHNICAL TERMS

“API”	application programme interface
“App”	a self-contained programme or piece of software designed to fulfil a particular purpose
“B2B”	business-to-business
“B2C”	business-to-consumer
“DAB”	Digital Audio Broadcasting
“HTML5”	a markup language used for structuring and presenting content for the World Wide Web
“OS”	operating system
“PaaS”	Platform as a Service
“PC”	personal computer
“SDK”	software development kit

DIRECTORS, PROPOSED DIRECTORS, COMPANY SECRETARY AND ADVISERS

Directors	Paul Henry Barron Pascoe (<i>Non-Executive Chairman</i>) Simon Andrew Cole (<i>Chief Executive Officer</i>) Timothy (“ Tim ”) John Blackmore M.B.E. (<i>Non-Executive Director</i>) Kelvin Frank Harrison (<i>Non-Executive Director</i>) John Christopher (“ Chris ”) Stewart Dent (<i>Chief Financial Officer</i>)
Proposed Directors	Sir Donald Gordon Cruickshank (<i>Non-Executive Chairman</i>) Benjamin (“ Ben ”) Charles Drury (<i>Chief Strategy Officer</i>) Sir Hossein Yassaie (<i>Non-Executive Director</i>) Eric Cohen (<i>Non-Executive Director</i>)
Company Secretary and Registered Office	Chris Dent UBC Media Group plc 50 Lisson Street London NW1 5DF
Website prior to Admission	www.ubcmedia.com
Website on Admission	www.7digital.com
Nominated Adviser and Joint Broker	finnCap Ltd 60 New Broad Street London EC2M 1JJ
Joint Broker	Investec Bank plc 2 Gresham Street London EC2V 7QP
Reporting Accountants	Grant Thornton UK LLP 30 Finsbury Square London EC2P 2YU
Auditors to the Company	Hazlewoods LLP Windsor House Bayshill Road Cheltenham GL50 3AT
Solicitors to UBC Media	DAC Beachcroft LLP 3 Hardman Street Manchester M3 3HF
Solicitors to finnCap and Investec	Rosenblatt Solicitors 9-13 St Andrew Street London EC4A 3AF
Financial Adviser to 7digital	GP Bullhound LLP 52 Jermyn Street London SW1Y 6LX
Solicitors to 7digital	Wilmer Cutler Pickering Hale and Dorr LLP Alder Castle 10 Noble Street London EC2V 7QJ
Registrars	Capita Asset Services The Registry 34 Beckenham Road Beckenham Kent BR3 4TU

PART I

LETTER FROM THE CHAIRMAN OF UBC MEDIA GROUP PLC

(Incorporated and registered in England and Wales with registered number 03958483)

Directors:

Paul Pascoe (Non-Executive Chairman)
Simon Cole (Chief Executive Officer)
Chris Dent (Chief Financial Officer)
Tim Blackmore M.B.E. (Non-Executive Director)
Kelvin Harrison (Non-Executive Director)

Registered Office:

50 Lisson Street
London NW1 5DF

20 May 2014

Dear Shareholder,

Proposed Acquisition of 7digital Group, Inc

Proposed placing of 21,995,761 New Ordinary Shares at 27 pence per New Ordinary Share

Proposed subscription for 259,266 New Ordinary Shares at 27 pence per New Ordinary Share

Proposed 1 for 10 Consolidation

Proposed adoption of New Articles of Association

Proposed Change of Name to 7digital Group plc

Proposed approval of Employee Share Scheme

Admission of the Enlarged Issued Share Capital to trading on AIM and Notice of General Meeting

1. INTRODUCTION

On 20 May 2014, the Company announced that it had conditionally agreed to purchase, through its Delaware subsidiary, 7digital Acquisition, the entire issued and to be issued share capital of 7digital for an aggregate consideration consisting of 61,335,286 New Ordinary Shares. At the Placing Price, this values 7digital at approximately £16.5 million. The Acquisition will be completed by way of a Delaware reverse triangular merger under the terms of the Merger Agreement. In order to fund the Enlarged Group's further development, including its working capital needs, as well as the costs associated with the Acquisition, the Company has also today announced the conditional placing of 21,995,761 New Ordinary Shares at 27 pence per New Ordinary Share and the conditional subscription of 259,266 New Ordinary Shares at 27 pence per New Ordinary Share to raise £6 million (£4.8 million net of costs). The Acquisition constitutes a reverse takeover of the Company for the purposes of the AIM Rules for Companies and accordingly requires Shareholder approval.

At the same time as the Acquisition, the Placing and the Subscription, the Directors are now making other consequential proposals, comprising a share consolidation, the adoption of new articles of association, the change of the Company's name to 7digital Group plc and approval of the Employee Share Scheme.

The Proposals and the Consequential Proposals are conditional, *inter alia*, upon the passing of the Resolutions at a General Meeting to be held at the offices of DAC Beachcroft LLP, 100 Fetter Lane, London EC4A 1BN at 10.00 a.m. on 9 June 2014, and Admission taking place. It is expected that Admission will become effective and that dealings in the Enlarged Issued Share Capital will commence on AIM on 10 June 2014.

This document contains information about 7digital, the Acquisition, the Placing, the Subscription and the Consequential Proposals, explains why the Board considers the Proposals to be in the best interests of the Company and its Shareholders as a whole, and recommends that you vote in favour of the Resolutions to be proposed at the General Meeting, notice of which is set out at the end of this document.

2. BACKGROUND ON UBC

UBC was established in June 2000 as the holding company for a group of companies whose core business was as a content provider to the radio industry. The Company was admitted to trading on AIM on 3 July 2000 and raised funds for expansion into the developing market for DAB technology in the United Kingdom. UBC invested in new technology to create new interactive services, which allowed the purchase of music prompted by radio broadcasts, and used the DAB spectrum to send multimedia content to PCs. UBC owns patents created by its technology in these areas.

Despite the changes in technology, the vision itself was not embraced by the broader radio industry, which for the most part has continued to pursue its traditional broadcasting and revenue models. The radio industry went through a period of decline, led by a decline in advertising revenues in 2006/7 and the lack of uptake of digital radio by the general public. In 2009, UBC sold its commercial division, which distributed traffic news to radio stations in exchange for the ability to sell advertising, to US quoted Global Traffic Network. The sale was for £11 million in cash representing a multiple of approximately 20 times the net profit of the division. Some cash was returned to shareholders via dividend payments over the next two years. The remainder was used by the Company to terminate its commitments to DAB and return to its core production businesses and set about finding a new direction.

After a major strategic review, the Board decided that the production businesses, whilst reliable, were likely to continue to be low-growth. The Directors believed that if there were to be a successful future for UBC, it would come from a more radical transformation and a concentration on the digital technology expertise that the Company had gained during its original foray into digital radio. This direction was led primarily by the belief that, at last, the radio industry was beginning to embrace the online and digital future and the fact that companies such as Imagination were seeking UBC's products and expertise. Imagination has been working with UBC since 2004 and became a co-investor in the audio social media platform Audioboo, which began to grow user numbers strongly 18 months ago. Imagination is now a shareholder in UBC, transferring an original holding in Audioboo into shares in UBC.

UBC has two divisions, Production and Interactive:

Production

UBC has three content production businesses which 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 Sky Television. In addition, UBC's 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.

Interactive

As the radio industry started to move online, UBC's interactive division has developed an expertise in the creation of technology products that allow streaming services and has created powerful tools for the management of the data services which accompany audio streaming online. This work has included, amongst other projects, the development of the Radioplayer software, used by the majority of licenced UK radio stations for online streaming, and the development of a suite of mobile apps for 75 Bell Astral radio stations in Canada.

In June 2010, UBC took a minority holding in Audioboo, an innovative audio social media platform that allows for the simple recording of high quality audio from any location. The Directors believe that Audioboo has developed a technology solution which bridges the gap between creators of quality audio content and the rapidly expanding world of social media. Uploading clips to Audioboo allows content producers to easily distribute their content on Twitter and Facebook, where the clips are embedded and played quickly without opening any other applications.

As Audioboo continued to show promising development and at the same time required further funding, UBC increased its involvement, consolidating its shareholding with that of Imagination. UBC currently holds

51.62 per cent. of the ordinary share capital of Audioboo and has made loans to Audioboo which are convertible into shares of Audioboo. On 2 May 2014, UBC announced that it had signed a sale and purchase agreement with One Delta, a cash shell quoted on AIM, under the terms of which One Delta agreed to acquire UBC's holding of ordinary A shares in Audioboo for a mixture of new ordinary shares in One Delta and warrants to subscribe for new ordinary shares in One Delta. Following completion of the acquisition of Audioboo by One Delta which will occur following re-admission of One Delta's ordinary shares to trading on AIM at 8.00 a.m. today, 20 May 2014, UBC now holds 18.7 per cent. of the enlarged One Delta group (now renamed Audioboom Group plc). Following exercise of the warrants held by UBC, UBC will hold 19.7 per cent. of Audioboom Group plc.

UBC's involvement with Audioboo sits as part of an overall interactive business, which has, over the last year, seen further development of the Group's work on the Radioplayer project and delivery of a portfolio of mobile applications for Jazz FM. Furthermore, UBC was commissioned to create iOS and Android applications for Rhema Broadcasting in New Zealand and Bell Media has commissioned an updating of its suite of mobile apps provided by UBC.

3. BACKGROUND TO THE ACQUISITION

As detailed above, UBC identified the emerging interactive media market as the sector of its business that the Directors believed offered the best opportunity for growth as so-called 'connected' devices became more important for the consumption of content.

UBC has invested in its software and interactive business alongside more traditional radio programme production and has created a business providing broadcasters around the world with software to power online and mobile services.

UBC and 7digital first worked together in 2004 when UBC was developing its "Cliq" music purchase system for digital radio. 7digital has developed alongside the online music industry over that period providing download and streaming services to a number of partners including leading consumer device manufacturers such as Samsung.

On 25 November 2013, UBC announced that it had lent £1 million to 7digital by way of the purchase of a convertible loan note from 7digital. The convertible loan note accrued interest at a rate of 5 per cent per annum until 30 April 2014 and accrues interest at a rate of 7 per cent per annum thereafter.

At the same time, UBC and 7digital signed a non-binding letter of intent outlining the detailed material terms of a potential acquisition of 7digital by UBC.

On 17 March 2014, UBC announced that it had signed heads of terms with 7digital, outlining the detailed material terms of the potential acquisition of 7digital by UBC. UBC and 7digital have now agreed the terms of the acquisition by UBC, via its Delaware subsidiary, 7digital Acquisition, of 7digital, details of which, including the reasons for and background to, are set out in this document.

4. BACKGROUND ON 7DIGITAL

Ben Drury and James Kane co-founded 7digital Limited in 2003 as a digital music services company initially building download stores for record labels, brands and retailers. 7digital has raised growth and development capital from a number of investors, both financial and strategic, including current shareholders Dolby and Imagination. 7digital is now a global business with licences to distribute content in 42 countries providing access to over 26 million music tracks via download and streaming services. 7digital's music catalogue is similar in size with the market-leading consumer services. 7digital provides its customers with access to a cloud-based software platform that allows them to create and develop their own music service. 7digital has a PaaS offering, a cloud-based service which makes it simpler and more cost effective for 7digital's customers to access the rights and technology necessary to run a music service. 7digital allows consumer-facing companies, which include mobile device manufacturers, telecom and television service providers, retailers and consumer brands, to provide innovative new music services to their end users.

7digital operates B2B technology and music services and B2C music services under the 7digital brand.

B2B

(a) *Platform*

7digital's core business is to provide an API for third parties who want 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.

Customers of the 7digital platform include Samsung, BlackBerry, Sky Communications, Astro (Malaysia), and HMV (UK and Canada). Typically, customers pay a set-up fee, 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.

(b) *Devices and operating systems*

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.

(c) *Music licences*

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. As of April 2014, the catalogue consists of more than 26 million tracks.

B2C

7digital.com is a licenced 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. The 7digital 'Locker' service stores the user's music purchases in the cloud for access from any device. 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.

5. FINANCIAL INFORMATION ON 7digital

The following financial information relating to 7digital has been extracted from the Accountants' Report set out in Part IV of this document:

	<i>Year ended 31 December 2011 £'000</i>	<i>Year ended 31 December 2012 £'000</i>	<i>Year ended 31 December 2013 £'000</i>
Revenue	8,181	11,574	11,554
Gross Profit	3,552	4,901	5,447
Loss before tax	(918)	(2,257)	(4,662)
Net (liabilities)/assets	(939)	2,481	(2,035)

6. MARKET OPPORTUNITY AND REASONS FOR THE ACQUISITION

Since 2008 the global recorded music industry has experienced year-on-year declines in the value of sales of music in physical formats. In the same period the value of sales of digital music in the form of downloaded data files or streamed content has grown year-on-year. Currently, 39 per cent. of sales globally come from digital formats and it is forecast that in 2015 global sales of digital music will exceed sales of physical music. The streaming of digital music content is now a significant part of digital music consumption and it is estimated that 35 per cent. of consumers globally now access streamed digital music content in the form of both premium and free content services. This can be attributed in part to the fact that smartphone proliferation, 4G networks with increased data access speeds and high broadband penetration have enabled better quality streaming services particularly in Western economies. App-based delivery via smartphones is driving changes in music consumption patterns as individuals move increasingly to mobile services that stream content rather than traditional download-to-own services like iTunes.

The markets for online music and streamed radio have converged significantly in recent years, with services like Pandora and iTunes Radio creating 'radio-like' music services where consumers are presented with 'curated' or 'playlisted' music rather than having to build their own collections. In the meantime, online and mobile streaming has become the fastest growing segment of the radio industry, with 25 per cent. of all listeners now saying that they listen at some time to radio on their mobile phones and nearly six per cent. of all radio being listened to either online or on mobile: a 20 per cent. increase in the twelve months to 31 December 2013.

The Directors and Proposed Directors believe that digital music services, including radio and radio-like streaming, and hybrid services, which contain both streamed radio and music services, are growth areas. Services from B2C providers such as Apple, Pandora and Spotify are likely to lead the market. However, it is the view of the Directors and the Proposed Directors that the customer base of both UBC and 7digital, including the broadcast and consumer electronics industries, as well as mobile operators and brands, will continue to need to offer competing music experiences to their customers and will not want to adopt services from B2C users or often competitors, creating need for an independent B2B service provider.

It is believed by the Directors and Proposed Directors that as global sales of digital music have grown in recent years an increasing number of consumers are willing and able to access and purchase digital music and this trend can be expected to continue. In addition, it is estimated that 90 per cent. of mobile users have access to one or more music apps on their mobile device and one in three consumers has a preference for listening to music on their mobile device. It is also forecast by Cisco that there will continue to be significant growth in the total number of devices able to access digital content, increasing from 12.5 billion units globally in 2010 to a forecast 25.0 billion units in 2015 and 50.0 billion units in 2020.

The global radio industry has experienced significant growth in online revenues in recent years, increasing from US\$250 million in 2005 to US\$827 million in 2013. In addition, there also exist a number of providers of 'radio-like services' engaged in audio streaming, such as Pandora, iHeart Radio and iTunes Radio. In recent years a number of providers of 'radio-like services' have built significant audience penetration in markets such as the USA. It is the view of the Directors and Proposed Directors that the prospect exists for the further growth of 'radio-like services' as a result of the convergence between traditional radio and digital music technologies.

The Acquisition will create a global digital music and radio services business operating in 42 countries with at least 95 B2B customers. The Directors and Proposed Directors believe that the Acquisition brings together two companies with complementary assets in the digital music and radio sector, combining 7digital's existing music technology and global music rights with UBC's radio industry experience and relationships with leading international broadcasting companies, proprietary content and patented digital content purchasing technology.

The Directors and Proposed Directors believe the Acquisition, the Placing and the Subscription will enable the combined businesses of 7digital and UBC to grow current digital music and radio offerings and expand into other product and service areas.

In addition, the Directors and Proposed Directors believe the B2B music services market is fragmented and opportunities exist to consolidate a number of small-scale competitors with complementary technology and service offerings.

As well as the revenue opportunities noted above, the Directors and Proposed Directors believe that cost synergies will be gained from joining the two businesses. These are expected to result from merging the administrative functions and co-locating both businesses.

7. STRATEGY OF THE NEW BOARD & ENLARGED GROUP'S PROPOSITION

The online audio market is changing fast and the Directors and Proposed Directors believe it is reaching an inflexion point. The early adopters of digital music have been those for whom music is a passion and who have also been reasonably technically aware. At present, whilst digital sales of music are expected in the next twelve months to overtake physical sales, it is still the case that a significant majority of music is listened to either on broadcast radio or via CD. As those consumers who listen to music on broadcast radio or via CD embrace digital listening, the Directors and Proposed Directors expect the pattern of usage to change, driven by radio-like services.

The Directors and Proposed Directors expect the Enlarged Group's customers to range from software developers and hardware manufacturers who want to create services on mobile devices and 'connected' devices for the home to media owners who want unique music experiences for their customers: telecom and broadcasters, retailers and consumer brands.

The Enlarged Group will provide B2B solutions to its customers' businesses through a software platform and associated services. The services offered will include production of unique content as well as licensing new technologies to customers. In addition, the Enlarged Group offers the following services:

- Radio aggregation and search
- Curated and programmed channels
- HD audio
- Personalised radio
- Music and radio streaming
- Music download services

These services will be delivered using the Enlarged Group's combined technological expertise and experience in technology and content development and music rights management. The Directors and Proposed Directors believe that the major benefits to the Enlarged Group's customers will be:

- Time-to-market – the Enlarged Group will provide a lower cost of entry to the market for its customers than developing the technology and content in-house;
- Quality of product – the Enlarged Group will continue to ingest new content providing access to an up-to-date library of audio and music assets;
- Access to rights – the Enlarged Group will offer comprehensive rights management and reporting services;
- Flexibility – the Enlarged Group's modular API will enable customers to take advantage of new developments on the core software, as a result of which new devices and business models can be rapidly enabled; and
- Multiple revenue models – customers can adapt their monetization method based on different models (including pay per download, subscription service or advertising-funded).

7digital and UBC currently have three main revenue streams:

- Subscription revenues, principally in the form of up front and monthly recurring revenues from software and rights licensing and software licensing revenues from radio broadcasting clients;
- Digital content revenues, principally derived from sales of digital content in the form of a digital download sale or a subscription from a streaming service; and
- Production revenues, for example those resulting from radio or television commissions.

The revenue model for the combined business is based on expected strong growth from the B2B service offerings. The Directors and Proposed Directors believe that growth in monthly recurring B2B revenues will be principally driven by:

- (i) growth in connected devices;
- (ii) new customers coming to market;
- (iii) continued product innovation; and
- (iv) international expansion.

8. COMPETITION

The digital music market has a number of significant B2C services such as iTunes, Google Play Music, Amazon MP3 and Spotify which have captured a large market share of the digital music market and represent indirect competition to 7digital’s offering.

7digital’s primary business is the provision of B2B music and radio platform-as-a-service and direct competitors include 247 Entertainment (based in Germany and controlled by MediaSaturn Holdings), MediaNet (based in the US and owned by Baker Capital) and Omnifone Group Limited (based in the UK and owned by its founders and other investors).

The Directors and Proposed Directors believe the following factors will give the Enlarged Group a competitive advantage. The table below shows what the Directors and Proposed Directors believe to be the breadth of 7digital’s product and services capability compared to its direct competitors:

Company		OMNIFONE		
Licensed Territories	42	34	15	4
Radio	✓	✓	✗	✓
Music Downloads	✓	✓	✓	✓
On-demand Streaming	✓	✓	✓	✓
Apps	✓	✓	✓	✓
HD Audio	✓	✗	✗	✗
Automotive Services	✓	✓	✗	✗
Sonos Integration	✓	✓	✓	✗

In addition to this, the Directors and Proposed Directors believe that the Enlarged Group will benefit from the following factors:

- (i) Open API – 7digital’s B2B music platform is differentiated in the market as it offers an open API with open-source code wrappers to reduce complexity and time to market for its potential customers. 7digital also provides a mobile SDK that helps App developers create services using the 7digital platform quickly and easily. The Directors and Proposed Directors believe that this combination of services is unique in the market.
- (ii) Experienced senior management – the operational senior management team draws its experience from the music and technology industries including companies like Warner Music, Universal Music, Sony Music, YouView, BT, Dolby and BBC Worldwide. The Directors and Proposed Directors believe that the management team will provide strong operational leadership to execute the Enlarged Group’s strategic plan.

9. CURRENT TRADING AND PROSPECTS

UBC

UBC’s results for the six months to 30 September 2013 showed an operating loss at £350,000 (2012: £355,000) though turnover decreased 30 per cent. to £1,534,000 (2012: £2,201,000). The production of programmes for traditional broadcasters is a shrinking business with margins challenged by the changing economics of traditional media.

The results for the second half of the year were below the Directors’ expectations as a result of one-off factors which affected the underlying operations of the business, such as the bankruptcy of AudioGo, the decision of Sky Television not to repeat its coverage of the Cambridge Folk Festival, and a number of replacement projects, such as the Sky Television commission in relation to the Bolshoi ballet, falling outside that financial period. As a consequence full year revenue for the year ending 31 March 2014 is expected to be circa. £2.9 million (2013: £3.8 million).

7digital

7digital’s unaudited management accounts for the quarter ended 31 March 2014 showed a 34 per cent. year-on-year increase in monthly recurring technology licensing revenue to £1,075,000 (2013: £800,000) with an overall gross margin for the business of 50.3 per cent. (2013: 45.2 per cent.). Total turnover of £2,462,000 was recorded in the quarter ended 31 March 2014 which was 16 per cent. down on the same quarter in 2013. This was ahead of internal expectations and reflects some expected declines in digital content sales.

At the end of December 2013 the normalised yearly run-rate of monthly recurring technology licensing revenue was £4.6 million (2012: £2.5 million).

Enlarged Group

The Directors and Proposed Directors expect that the combined sales, technical and operational resources available to the Enlarged Group following Completion will enable it to grow organically and capitalise on the accelerating growth now being experienced in the online audio market and digital music industry. The Directors and Proposed Directors would also consider taking advantage of merger and acquisition opportunities.

Accounting Reference Date

The Directors have resolved, conditional upon Admission, to change UBC’s accounting reference date from 31 March to 31 December in order to bring UBC’s accounting year end in line with that of 7digital.

10. DIRECTORS AND PROPOSED DIRECTORS

Details of the current Directors of UBC are as follows:

Paul Henry Barron Pascoe (aged 53), Non-Executive Chairman

Paul Pascoe was appointed to the role of Non-Executive Chairman of UBC in November 2008. He became a director of The Unique Broadcasting Company Limited in 1995. Paul is a member of UBC's Audit Committee and Remuneration Committee.

Timothy John Blackmore M.B.E. (aged 69), Non-Executive Director

Tim Blackmore co-founded The Unique Broadcasting Company Limited in 1989 with Simon Cole, after a career in radio production with BBC Radio 1 and Capital Radio. Tim was appointed as a Non-Executive Director of UBC in 2004 and he continues to act as Group Editorial Director and is Chairman of Smooth Operations. Tim has been awarded an MBE for services to independent radio production.

Kelvin Frank Harrison, (aged 58), Non-Executive Director

Kelvin Harrison is a chartered engineer with significant experience of the software, electronics and communications sectors in various positions, including chief executive of public and private companies. Kelvin was formerly Chairman and Chief Executive of Maxima Holdings plc. Kelvin is chairman of UBC's Remuneration Committee and Chairman of the Audit Committee.

Simon Andrew Cole (aged 56), 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.

John Christopher Stewart Dent (aged 33), Finance Director

Chris Dent was appointed as Finance Director of UBC in April 2012. He previously worked at Deloitte where he spent ten years within audit and corporate finance, specialising in working with media and technology clients. He is a member of the ICAEW. Chris holds a BA (Hons) degree in Modern History & Economics from Magdalen College, Oxford.

On Completion, it is proposed that Paul Pascoe, Tim Blackmore and Kelvin Harrison will resign as Directors.

Proposed Directors

On Completion, it is proposed that the following will be appointed to the Board of the Enlarged Group:

Sir Donald Gordon Cruickshank (aged 71), Proposed Non-Executive Chairman

Sir Donald Cruickshank has been Chairman of Audioboo Limited since April 2010. Sir Donald has served as a director of Qualcomm Incorporated since June 2005. He was Chairman of Clinovia Group Limited from January 2004 to February 2007 and Formscape Group Limited from April 2003 to December 2006 and 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.

Sir Donald has extensive experience in a number of areas, including European regulation and telecommunications. Sir Donald's career has included assignments at McKinsey & Co. Inc., Times Newspapers, Virgin Group plc., Wandsworth Health Authority and the National Health Service in Scotland. Sir Donald served as Chairman of the London Stock Exchange from 2000 to 2003 and as Director General of the UK's Office of Telecommunications (OfTel) from 1993 to 1998. From 1997 to 2000, he served as Chairman of Action 2000, the UK's Millennium Bug campaign. In 1998 Sir Donald was appointed as

Chairman of the Government's Review of the UK banking sector, and from 1999 to 2004, he served as Chairman of SMG plc.

Sir Donald holds an M.A. degree in Law and an honorary L.L.D. degree from the University of Aberdeen and an M.B.A. degree from Manchester Business School, the University of Manchester.

Benjamin Charles Drury (aged 38), Proposed Chief Strategy Officer

Ben Drury co-founded 7digital in 2003 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 active 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 (aged 57), Proposed Non-Executive Director

Sir 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, Sir Hossein refocused the business on advanced technology development and created Imagination's successful silicon IP business model. Sir Hossein is a Non-Executive Director of Toumaz Limited.

Eric Cohen (aged 56), Proposed 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 previously worked for 30 years in investment banking, where he gained diverse experience advising clients in strategic transactions and financings across a broad range of industries. 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.

Following Admission it is intended to appoint two additional independent directors of suitable calibre to strengthen the composition of the New Board.

11. PRINCIPAL TERMS AND CONDITIONS OF THE ACQUISITION

On 20 May 2014, the Company entered into the Merger Agreement with, among others the Indemnitors' Representative, as detailed in paragraph 14.3 of Part VI, pursuant to which the Company's wholly owned Delaware subsidiary, 7digital Acquisition, will merge with 7digital (7digital being the surviving corporation). In consideration for the merger, it was agreed that the shareholders of 7digital would receive 61,335,286 New Ordinary Shares (in aggregate).

Completion of the Merger Agreement, as detailed in paragraph 14.3 of Part VI, is conditional, amongst other things, upon:

- Shareholder approval of the Resolutions; and
- Admission.

Additional information relating to the Merger Agreement is set out in paragraph 14.3 of Part VI of this document.

To secure the obligations of 7digital under the Merger Agreement, the Main Vendors have agreed, pursuant to the Escrow Agreement, to put 20,445,095 Vendor Consideration Shares into escrow with Capita Trust Company Limited. If no claims are notified within 12 months from Completion, half of the Escrow Shares will be released and the other half will be released if no claims are notified within 24 months from Completion. If any claims are agreed between the parties or determined by a Court, the Escrow Shares will be available to be bought back by the Company (subject to the relevant shareholders' consent being obtained) for an aggregate sum up to £20.

Additional information relating to the Escrow Agreement is set out in paragraph 14.4 of Part VI of this document.

12. IMAGINATION BRIDGE LOAN

On 16 May 2014, Imagination extended a bridge loan to 7digital, at nil interest, in the amount of £1 million to fund its working capital needs. At completion of the Acquisition, 7digital will novate the loan to UBC, immediately following which UBC will issue an aggregate of 3,703,703 New Ordinary Shares to Imagination at the Placing Price, in full settlement of the liability under the Imagination Bridge Loan. Following Admission the Imagination Shares will rank *pari passu* with the New Ordinary Shares.

13. THE PLACING AND SUBSCRIPTION

In order to fund the transaction costs of the Acquisition and the Proposals as well as provide working capital for the Enlarged Group, the Company is seeking to raise £6 million (gross) (£4.8 million net of expenses) pursuant to the Placing and the Subscription through the issue of the Placing Shares and the Subscription Shares at the Placing Price. The Placing Shares and the Subscription Shares will represent approximately 20.7 per cent. of the Enlarged Issued Share Capital immediately following Admission. Further details of the Placing Agreement, which contains the terms upon which the Placing is being undertaken, are described in paragraph 14.6 of Part VI to this document. Further details of the Subscription Letters, which contain the terms upon which the Subscription is being undertaken are described in paragraph 14.22 of Part VI of this document.

The Placing and the Subscription are not being underwritten. Following Admission the Placing Shares and the Subscription Shares will rank *pari passu* with the New Ordinary Shares. Application will be made for the admission of the Enlarged Issued Share Capital to trading on AIM which is expected to take place on 10 June 2014.

The proceeds of the Placing and the Subscription will be used to fund the Enlarged Group's further development, including its working capital, as well as the costs associated with the Acquisition.

14. DETAILS OF THE CONSEQUENTIAL PROPOSALS

Proposed New Articles of Association

At the same time as approving the Acquisition the Company is taking advantage of this opportunity to adopt the New Articles. The Directors believe that the Company's Existing Articles should be updated to reflect and take full benefit of some of the new provisions of the Act which have now been brought into full effect. Accordingly, the Board considers it prudent to replace the Company's Existing Articles with the New Articles which take account of those developments and to reflect the Share Consolidation. A summary of the New Articles and the principal changes arising from the adoption of the New Articles, other than changes which are of a minor, technical or clarifying nature, are set out in paragraph 5 of Part VI of this document and the Existing Articles and the New Articles are available for review at the Company's website at www.ubcmmedia.com.

Proposed Share Consolidation

As part of the Proposals, the Company is seeking Shareholder approval for the Share Consolidation, whereby the Ordinary Shares are consolidated into New Ordinary Shares on the basis of one New Ordinary Share for every 10 Ordinary Shares held at the record date.

The purpose of the Share Consolidation is to reduce the total number of shares in issue following completion of the Proposals. The Directors believe that this may reduce the volatility in the price of the Company's shares, may avoid large dealing spreads in the shares and may ensure that the price of the shares is more appropriate for a company of the Enlarged Group's size.

It is proposed that the Share Consolidation will consist of the following steps:

- (i) every 10 Ordinary Shares held at the record date will be consolidated into one New Ordinary Share; and
- (ii) fractional entitlements arising out of the consolidation under sub-paragraph (i) above by reason of there being either less than 10 Ordinary Shares or a number not divisible by 10 shall be rounded down to the nearest whole number. All such fractional entitlements shall be aggregated into New Ordinary Shares and the whole number of New Ordinary Shares so arising shall be sold in the market and the net proceeds of sale (less expenses) distributed proportionately among the relevant Shareholders entitled to them (unless the sums due are less than £3).

The Existing Articles require that Shareholder consent is sought for the Share Consolidation and approval will be sought at the General Meeting which has been convened at the offices of DAC Beachcroft LLP, 100 Fetter Lane, London EC4A 1BN at 10.00 a.m. on 9 June 2014. It is anticipated that certificates in respect of New Ordinary Shares will be issued and dispatched by 30 June 2014 and that CREST holders will have their CREST accounts credited with their new holdings on 10 June 2014. Pending the issue of a new share certificate, existing share certificates will remain valid.

The record date in respect of the Share Consolidation is 9 June 2014, being the date of the General Meeting. Subject to the adoption of the New Articles at the General Meeting, the New Ordinary Shares will carry the rights and will be subject to the restrictions set out in the New Articles.

The resolution to effect the Share Consolidation is set out in the Notice which can be found at the end of this document.

Proposed Incentivisation Arrangements

The Directors and Proposed Directors believe that the success of the Enlarged Group will depend to a high degree on management and other members of staff being appropriately motivated and rewarded. The Enlarged Group is therefore proposing to establish the Employee Share Scheme, designed to assist in the recruitment, motivation and retention of staff and which, for executive directors and senior managers, will carry performance conditions that will align the interests of the management team with those of Shareholders.

Further details of the Employee Share Scheme are set out in paragraph 25 of Part VI of this document. Approval of the Employee Share Scheme will be sought at the General Meeting. It is intended that shortly after Admission, subject to Shareholder approval of the Employee Share Scheme at the General Meeting, initial awards thereunder will be made to certain members of the New Board and other members of staff.

15. LOCK-INS AND ORDERLY MARKET ARRANGEMENTS

The Locked In Parties have entered into a lock in agreement with the Company, finnCap and Investec pursuant to which, they have agreed, conditional upon Admission, not to sell, transfer or dispose of any interest in New Ordinary Shares held by them or any related parties (as defined in the AIM Rules for Companies) for a period of 12 months following Admission save for certain exceptions. In addition, each of the Locked In Parties has agreed that, for a further 12 months, save for certain exceptions, he/it will not sell, transfer or dispose of any interest in New Ordinary Shares without the prior written consent of each of the

Company, finnCap and Investec and any such sale or disposal of New Ordinary Shares will generally be effected through finnCap, Investec or the Company's incumbent corporate broker (with a view to ensuring an orderly market in such securities), subject to certain exceptions. In addition, to certain exceptions to lock in and orderly market arrangements which apply to the Locked In Parties, Goodmans is also permitted to transfer its interests in New Ordinary Shares to a Goodmans or Hilco Related Entity, provided that such entity signs up to an agreement, *inter alia*, in the same form as the lock in agreement set out in this paragraph and provided that such entity remains a Goodman or Hilco Related Entity.

As at Admission the Locked In Parties will hold 59,445,655 New Ordinary Shares in total, representing 54.9 per cent. of the Enlarged Issued Share Capital.

Further details of the lock-in and orderly market arrangements relating to the Vendors and the Directors are set out in paragraph 14.21 of Part VI of this document.

16. CHANGE OF NAME

To reflect the proposed changes to the Company, its management and its operations as a result of the Acquisition, it is proposed that, conditional on Completion, the Company will change its name to 7digital Group plc pursuant to Resolution 6.

17. RELATED PARTY TRANSACTIONS

The issue of New Ordinary Shares to Imagination, pursuant to the terms of the Merger Agreement, the Imagination Bridge Loan and the Imagination Convertible Loan, as a substantial shareholder in the Company, constitutes a related party transaction for the purposes of AIM Rule 13. Furthermore, the participation by Imagination and DC Thomson, also a substantial shareholder in the Company in the Placing, constitutes a related party transaction for the purposes of AIM Rule 13 (together, "the Related Party Transactions").

The independent directors, being Tim Blackmore, Kelvin Harrison and Paul Pascoe, having consulted with the Company's nominated adviser, finnCap, consider that the terms of the Related Party Transactions are fair and reasonable insofar as independent Shareholders are concerned.

18. DIVIDEND POLICY

The Directors and Proposed Directors intend to commence the payment of dividends only when it becomes commercially prudent to do so, having regard to the availability of the Enlarged Group's distributable profits and funds required to finance future growth.

19. CORPORATE GOVERNANCE

The Directors and Proposed Directors support high standards of corporate governance. Accordingly, the New Board will meet regularly throughout the year and all necessary information will be supplied to the Directors at that time on a timely basis to enable them to discharge their duties effectively. Additionally, special meetings will take place or other arrangements will be made when decisions are required in advance of regular meetings.

The Directors have established or otherwise intend to establish financial controls and reporting procedures which are considered appropriate given the size and structure of the Enlarged Group. It is the intention of the New Board that these controls will be reviewed regularly in light of the future growth and development of the Enlarged Group and adjusted accordingly.

Share dealing code

The Directors comply with Rule 21 of the AIM Rules for Companies relating to directors and applicable employees dealings in the Company's securities. Accordingly, the Company has adopted a share dealing code for directors and applicable employees and the Company will take all reasonable steps to ensure

compliance by its directors and applicable employees with the provisions of the AIM Rules for Companies relating to dealing in securities.

Compliance with the Corporate Governance Code

The Directors and Proposed Directors recognise the importance of, and are committed to, good corporate governance and intend, following Admission, so far as is practicable and appropriate for a company of its size, stage of development and nature as a company whose securities are traded on AIM to follow the provisions of the UK Corporate Governance Code. In any event, the New Board intends to comply with the provisions of the QCA Guidelines.

On Admission, the New Board will comprise six directors consisting of three executive directors and three non-executive directors. The Corporate Governance Code states that the Board should determine whether a director is independent in character and judgment and whether there are relationships or circumstances which are likely to affect, or could appear to affect, the director's judgment.

The New Board considers that Sir Donald Cruickshank and Eric Cohen will be independent within the meaning of the QCA Guidelines. Following Admission it is intended to appoint two additional directors of suitable calibre to strengthen the composition of the New Board.

The Directors have formed, and have adopted terms of reference for, an audit committee and a remuneration committee, further details of which are set out below.

Committees of the directors

Audit Committee

The audit committee will comprise Sir Donald Cruickshank, Eric Cohen and Sir Hossein Yassaie, by whom it will be chaired. It will meet at least once a year. The audit committee will receive and review reports from management and from the Company's auditors relating to the interim and annual accounts and to the internal control procedures that will be in use throughout the Enlarged Group. It will be responsible for ensuring that the financial performance of the Enlarged Group is properly reported with particular regard to legal requirements, accounting standards and the AIM Rules for Companies. The ultimate responsibility for reviewing and approving the annual report and accounts and the half-yearly reports will remain with the New Board.

Remuneration Committee

The remuneration committee will comprise Eric Cohen, Sir Hossein Yassaie and Sir Donald Cruickshank, by whom it will be chaired. It will meet at least once a year. It will be responsible for determining and reviewing the terms and conditions of service (including remuneration) and termination of executive directors and senior employees and the grant of options under any share option scheme of the Company implemented from time to time.

20. THE TAKEOVER CODE

The Takeover Code is issued and administered by the Panel. The Company is and the Enlarged Group will be subject to the Takeover Code and therefore all Shareholders are entitled to the protection afforded by it.

21. GENERAL MEETING

Set out at the end of this document is a notice convening the General Meeting to be held at the offices of DAC Beachcroft LLP, 100 Fetter Lane, London EC4A 1BN at 10.00 a.m. on 9 June 2014 at which the Resolutions will be proposed for the purposes of implementing the Proposals.

Ordinary Resolutions

Resolution 1 – Approval of the Acquisition

As the Acquisition constitutes a reverse takeover of UBC, Shareholder approval of the Acquisition is required under the AIM Rules.

Resolution 2 – Share Consolidation

Approval is required for the proposed Share Consolidation.

Resolution 3 – Authority to allot relevant securities

It is proposed to give the directors of the Company from time to time authority to allot relevant securities up to a nominal amount of £8,766,438.60 in connection with the Placing the Subscription, the Imagination Bridge Loan, the Imagination Convertible Loan and the Acquisition and a further nominal amount of £3,630,878.00 generally. The general authority is equal to approximately one third of the Enlarged Issued Share Capital. Paragraph 3.2 of Resolution 3 authorises the directors of the Company from time to time to allot up to a further one third for use only in connection with a fully pre-emptive rights issue. Save as disclosed in this document there are no immediate plans to exercise these authorities. The authorities will expire at the date of the annual general meeting in 2015 or, if earlier, the date 18 months after the date of the passing of the resolution.

Resolution 8 – Approval of Employee Share Scheme

It is proposed to approve the terms of the Employee Share Scheme.

Special Resolutions

Resolution 4 – Disapplication of statutory pre-emption rights

The provisions of section 570 of the Act, to the extent that they have not been disapplied, confer on Shareholders rights of pre-emption in respect of the allotment of equity securities which are, or are to be, paid up in cash. It is proposed that the provisions of section 570 of the Act will be generally disapplied in connection with the Acquisition, the Placing, the Subscription, the Imagination Bridge Loan, the Imagination Convertible Loan, a rights or other pre-emptive issue and any other issue of equity securities for cash up to an aggregate nominal amount of £1,083,263.40 (representing approximately 10.0 per cent. of the Enlarged Issued Share Capital). The authority will expire on the date of the annual general meeting in 2015 or, if earlier, the date falling 18 months after the date of the passing of the resolution.

Save as otherwise disclosed in this document, the Directors have no present intention of issuing further Ordinary Shares save pursuant to the Proposals.

Resolution 5 – Approval of Escrow Agreement

The Existing Articles require that any buyback by the Company of its own shares must be approved by the shareholders. It is therefore proposed to approve the Escrow Agreement at the General Meeting and to give the Company authority to buy back the Escrow Shares on and subject to the terms of the Escrow Agreement and subject to the terms of the resolution. The authority will expire on the date of the next general meeting or, if earlier, the date falling 15 months after the date of the passing of the resolution.

Resolution 6 – Change of Name

The proposed change of the Company's name requires approval of the Shareholders.

Resolution 7 – New Articles

It is proposed to adopt the New Articles in place of the Existing Articles.

22. IRREVOCABLE UNDERTAKINGS

Insofar as they are interested in Ordinary Shares, the Directors and persons connected with them have given irrevocable undertakings to the Company to vote in favour of the Resolutions (and, where relevant, to

procure that such action is taken by the relevant registered holders if that is not them), in respect of their entire beneficial holdings totaling, in aggregate, 51,155,958 Ordinary Shares, representing approximately 25.9 per cent. of the Existing Total Voting Rights.

In addition, certain other Shareholders have given irrevocable undertakings to the Company to vote in favour of the Resolutions to be proposed at the General Meeting (and, where relevant, to procure that such action is taken by the relevant registered holders if that is not one of them) in respect of their holdings totaling, in aggregate, 61,065,211 Ordinary Shares, representing approximately 30.9 per cent. of the Existing Total Voting Rights.

In total, therefore, the Company has received irrevocable undertakings to vote in favour of the Resolutions in respect of holdings totaling in aggregate 112,221,169 Ordinary Shares, representing approximately 56.8 per cent. of the Existing Total Voting Rights. Further details of the irrevocable undertakings received by the Company are set out in paragraph 16 of Part VI of this document.

23. ADMISSION AND CREST SETTLEMENT

As the Acquisition constitutes a reverse takeover of the Company under the AIM Rules for Companies, Shareholder consent to the Acquisition is required at the General Meeting. If the Resolutions are duly passed at the General Meeting, the admission of the Ordinary Shares to trading on AIM will be cancelled (immediately prior to Admission) and the Enlarged Issued Share Capital will be admitted to trading on AIM.

Application will be made to London Stock Exchange for the Enlarged Issued Share Capital to be admitted to trading on AIM. Admission is expected to take place at 8.00 a.m. on 10 June 2014.

The New Ordinary Shares are eligible for CREST settlement. CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by a written instrument in accordance with the requirements of CREST. The Existing and New Articles permit the holding and transfer of Ordinary Shares to be evidenced in uncertificated form in accordance with the requirement of CREST. Accordingly, following Admission, settlement of transactions in New Ordinary Shares may take place within the CREST system if the relevant Shareholder so wishes. CREST is a voluntary system and Shareholders who wish to receive and retain share certificates will be able to do so.

24. TAXATION

Information regarding United Kingdom taxation is set out in paragraph 24 of Part VI of this document. If you are in any doubt as to your tax position, you should consult an appropriate professional adviser immediately.

Clearance has been obtained from HMRC that the Company is a qualifying company for the purposes of EIS and, that they would be able to authorise certificates on receipt of an EIS1 and that the New Ordinary Shares would be qualifying holdings for the purpose of VCT. No guarantee is given that the qualifying conditions will continue to be met such as to retain any qualifying status for VCT and EIS purposes and no assurance is given as to the investors' qualifying status.

25. RISK FACTORS

Your attention is drawn to the Risk Factors set out in Part II of this document.

26. ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in Parts II to VI of this document.

27. ACTION TO BE TAKEN

You will find accompanying this document a Form of Proxy for use in connection with the General Meeting. Whether or not you intend to be present at the General Meeting, you are asked to complete the Form of Proxy in accordance with the instructions printed on it so as to be received by the Company's registrars, Capita Asset Services, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, as soon as possible but in

any event not later than 10.00 a.m. on 7 June 2014. Completion of the Form of Proxy will not preclude you from attending and voting at the General Meeting should you so wish.

28. RECOMMENDATION

The Directors consider, for the reasons set out above, that the Proposals are in the best interests of the Company and Shareholders as a whole. Accordingly, the Directors recommend that you vote in favour of the Resolutions at the General Meeting as they intend to do in respect of their own beneficial holdings amounting, in aggregate, to 51,032,840 Ordinary Shares, representing 25.8 per cent. of the Existing Total Voting Rights.

Yours faithfully

Paul Pascoe
Chairman

PART II

RISK FACTORS

This document contains forward looking statements, which have been made after due and careful enquiry and are based on the Directors' and Proposed Directors' current expectations and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. These forward-looking statements are subject to, *inter alia*, the risk factors described in this Part II. The Directors and Proposed Directors believe that the expectations reflected in these statements are reasonable, but they may be affected by a number of variables which could cause actual results or trends to differ materially. Each forward-looking statement speaks only as of the date of the particular statement.

Factors that might cause a difference include, but are not limited to, those set out in this Part II. Given these uncertainties, prospective investors are cautioned not to place any undue reliance on such forward looking statements. The Company disclaims any obligation to update any such forward looking statements in the document to reflect future events or developments.

Prior to making an investment decision in respect of the Ordinary Shares, prospective investors should consider carefully all of the information within this document, including the risk factors set out in this Part II. The Directors and Proposed Directors believe these risks to be the most significant for potential investors. However, the risks listed do not necessarily comprise all those associated with an investment in the Company. In particular, the Company's performance may be affected by changes in market or economic conditions and in legal, regulatory and/or tax requirements. The risks listed are not set out in any particular order of priority.

If any of the following risks were to materialise, the Enlarged Group's business, financial condition, results or future operations could be materially and adversely affected. In such cases, the market price of the Ordinary Shares could decline and an investor may lose part or all of his investment. Additional risks and uncertainties not presently known to the Directors and Proposed Directors, or which they currently deem immaterial, may also have an adverse effect upon the Enlarged Group and the information set out below does not purport to be an exhaustive summary of the risks affecting the Enlarged Group.

The Acquisition may not complete

Completion of the Acquisition is subject to the satisfaction (or waiver) of a number of conditions contained in the Merger Agreement including the approval of the Acquisition by the Shareholders at the General Meeting and Admission. If Shareholders do not approve the Acquisition at the General Meeting, the Acquisition will not complete.

There is no guarantee that these (or other) conditions will be satisfied (or waived) in which case the Acquisition will not be completed and in those circumstances the Placing and the Subscription will also not complete.

The Enlarged Group may not be able fully to realise the benefits of the Acquisition

The Enlarged Group's success will partially depend upon the Directors' and Proposed Directors' ability following the Acquisition to integrate the 7digital and UBC businesses without significant disruption to either. This integration process may divert management's attention from the ordinary course operation of the business and raise unexpected issues and may take longer or prove more costly than anticipated. Although the Directors and Proposed Directors believe that such disruption is unlikely, issues may come to light during the course of integrating 7digital and UBC that may have an adverse effect on the financial condition and results of operations of the Enlarged Group. There is no assurance that the Company will realise the potential benefits of the Acquisition including, without limitation, potential synergies and cost savings (to the extent and within the time frame contemplated). If the Company is unable to integrate the 7digital and UBC

businesses successfully into the Enlarged Group then this could have a significantly negative impact on the results of operations and/or financial condition of the Enlarged Group. There is no certainty that customers of UBC and 7digital will continue to be customers of the Enlarged Group following the Acquisition, particularly if customer service is affected whether before or after completion of the Acquisition or in the event that strategic decisions taken by the Directors and Proposed Directors after completion of the Acquisition cause customers to terminate contractual relations.

The Enlarged Group initially will be loss making

The Enlarged Group initially will be loss making and will be reliant on continuing to win new B2B licensing business in order to drive the Enlarged group to profitability. There is a risk that management will be unable to secure new contracts or that the anticipated demand for the Enlarged Group's services will not materialise.

Although the Directors and Proposed Directors believe that the Enlarged Group is well placed to continue to grow the business in order to reach profitability in the medium term, there can be no assurance that the Enlarged Group will be able to secure enough new business to achieve this.

Market and Competition

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

The market in which the Enlarged Group operates has seen a number of significant changes, such as the shift from physical sales, through to downloads, and then onto streaming. The Enlarged Group's competitors, or the competitors of the Enlarged 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 Enlarged Group's business, financial condition and results of operations.

Competitors and potential competitors of the Enlarged Group, and competitors to customers, may have significantly greater financial, technical, marketing, service or resources than the Enlarged Group and have access to a larger base of products, longer operating histories or greater name recognition. In addition, the Enlarged Group's competitors may be able to respond more quickly than the Enlarged Group can to changes in customer requirements and devote greater resources to the development, enhancement, promotion and sale of their products/services.

Although the Directors and Proposed Directors believe that the Enlarged Group should be able to compete favourably in its targeted markets, and that new products, services and enhancements by competitors and by competitors of customers may spur customers to seek to commission the Enlarged Group to emulate these changes, there can be no assurance that the Enlarged Group can maintain its competitive position against current and any potential competitors, especially those with greater financial, marketing, service, support, technical and other resources. Whilst the Enlarged Group plans to invest in the development of new products and services, there is no assurance these will be accepted in the market.

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

Key Customers

The Enlarged Group relies on a number of key customers, such as the Blackberry, Samsung, Syncredible, Imagination and the BBC. The business plan produced by management assumes new and continuing revenue strands by key customers. Were existing contracts to be terminated or new revenue strands to fail to

materialise, this could affect the projected growth of the Enlarged Group. In particular, Blackberry is frequently reported in the media to be experiencing financial difficulties, which means there is a risk that it may not be in a position to fulfil its contractual obligations to 7digital. With respect to Samsung, the reliance on the Android platform and strategic relations with Google may lead to discontinuation of 7digital powered Samsung services such as Samsung Music and this would have a material impact on the Enlarged Group. Furthermore, UBC's core 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 Blackberry and the BBC, as well as other key clients, to fulfil or renew existing contracts or sign up to new revenue streams could have a material adverse effect on the financial condition of the Enlarged Group.

Change of Control

There are change of control provisions in many agreements that members of the 7digital Group have entered into with customers and suppliers, some of which are agreements with 7digital Group's biggest suppliers and customers. As a result of the Acquisition, the contracting party may be entitled to terminate these agreements. If any such customer or supplier terminates their contract with 7digital, or if any such customer or supplier uses it as an opportunity to renegotiate more onerous terms, it may have a material adverse effect on the Enlarged Group's financial performance.

Loss of Rights

The Enlarged Group has a number of key suppliers of music content. The Directors and Proposed Directors believe that these content rights which the Enlarged Group has built up over a number of years are key to the success of the Enlarged Group's 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 Enlarged Group is able to use the music content.

Achievement of strategic aims

The value of an investment in the Enlarged Group is dependent on the Enlarged Group achieving its strategic aims. The Enlarged Group's strategy is to invest and grow the business through the development of its products and technology. While the Directors and Proposed Directors are optimistic about the prospects for the Enlarged Group, there is no certainty that it will be capable of achieving its strategy or the anticipated revenues or growth or be profitable. The Enlarged Group's future operating results will be highly dependent upon how well it manages its planned strategy.

Financial resources

In the opinion of the Directors and Proposed Directors, having made due and careful enquiry, taking into account the net proceeds of the Placing and the Subscription and the existing cash resources available to the Enlarged Group, the working capital available to the Enlarged Group will be sufficient for its present requirements, that is for at least the next 12 months from the date of Admission.

The Enlarged Group's future capital requirements will, however, depend on many factors, including its ability to maintain and expand its customer base, its sales, cash flow and control of costs and the execution of any material acquisitions. In the future, the Enlarged Group may require additional funds and may attempt to raise additional funds through equity or debt financings or from other sources. Any additional equity financing may be dilutive to holders of Ordinary Shares and any debt financing, if available, may require restrictions to be placed on the Enlarged Group's future financing and operating activities. The Enlarged Group may be unable to obtain additional financing on acceptable terms or at all if market and economic conditions, the financial condition or operating performance of the Enlarged Group or investor sentiment (whether towards the Enlarged Group in particular or towards the market sector in which the Enlarged Group operates) are unfavourable. The Enlarged Group's inability to raise additional funding may hinder its ability to grow in the future or to maintain its existing levels of operation.

Venture Capital Trust Status and EIS

The Company has received confirmation from HMRC that the Company qualifies as a qualifying company/holding for the purposes of EIS and that the New Ordinary Shares may comprise part of a qualifying holding for VCT purposes. The actual availability of EIS relief and qualifying status for VCT purposes will be contingent upon certain conditions being met by both the Company and the relevant investors. Should the law regarding EIS or VCT change then any reliefs or qualifying status previously obtained may be lost.

If the Company ceases to carry on the business outlined in this document, changes the manner in which the business is undertaken or acquires or commences a business which is not insubstantial to the Company's activities at any time this could prejudice the status of the New Ordinary Shares under the VCT provisions. If these changes are made during the three year period from the last allotment of Ordinary Shares, this could prejudice the qualifying status of the Company (as referred to above) under the EIS provisions. Circumstances may arise where the Directors believe that the interests of the Company are not best served by acting in a way that preserves the EIS or VCT qualifying status. In such circumstances, the Company cannot undertake to conduct its activities in a way designed to secure or preserve any such relief or status claimed by any shareholder.

If the Company does not employ all of the proceeds of an EIS share issue for qualifying trading purposes within 24 months of the date of issue of the New Ordinary Shares, the Company will not be a qualifying company and as such EIS relief will be withdrawn.

In respect of subscriptions for New Ordinary Shares made by a VCT if the Company does not employ the funds invested by the VCT for qualifying purposes within 24 months, the funds invested by the VCT would be apportioned *pro rata* and its qualifying holding would be equal to the VCT's funds that had been employed for qualifying trade purposes within the above time limits. Any remaining element of the VCT's investment would comprise part of its non-qualifying holding.

The above information is based upon current tax law and practice and other legislation and any changes in the legislation or in the levels and bases of, and reliefs from, taxation may affect the value of an investment in the Company.

Any person who is in any doubt as to their taxation position should consult their professional taxation advisers.

Tax and sub-licencing risks relating to 7digital's international operations

7digital Group's B2C operations are conducted principally through its Luxembourg subsidiary, 7digital Europe Sarl. Although 7digital seeks to manage this entity in such a manner as to ensure that it is tax resident solely in Luxembourg, the determination of tax residence in various jurisdictions depends on the facts and circumstances, and is subject to varying interpretations by the relevant taxation authorities. Accordingly, there is a risk that HMRC could take the position that 7digital Europe Sarl is resident in the UK for corporation tax purposes and/or VAT purposes. If 7digital Europe Sarl were unsuccessful in challenging any such claim, it could be subject to UK corporation tax on its worldwide income and gains and/or subject to an assessment for output VAT in relation to its supplies of digital downloads, together with potential associated penalties.

7digital Europe Sarl is the contracting party for agreements relating to music content and these content rights have been sub-licenced within 7digital Group. There is the risk that the flow of royalties between companies within 7digital Group may have consequences in relation to withholding tax and/ or applicable tax rates which may lead to material liabilities being incurred. Furthermore, there is the risk that, as the sub-licensing has not been formally approved by the relevant third party, higher royalties may be levied should the relevant third party object.

The Enlarged Group's corporate structure may result in operational or tax inefficiencies or additional tax payable

Following the Acquisition, the Company will own 100 per cent. of 7digital, a Delaware corporation, which in turn will own 100 per cent. of 7digital Limited, an English limited company and the principal operating company of the 7digital Group. As a result, the Delaware corporation will sit structurally between the Company and the Enlarged Group's principal UK operating entity. This will create tax inefficiencies, including an inability to obtain certain group reliefs for the Enlarged Group's overall UK operations and higher tax rates on intercompany dividends. If the New Board decides to restructure the Enlarged Group going forward in order to improve its tax and operational efficiencies, this could result in material capital gains taxes payable in the United States.

If any 7digital stockholders exercise their statutory appraisal rights under Delaware law in connection with the Acquisition, the Enlarged Group may be required to purchase their shares for cash in an amount determined by a Delaware court

The Acquisition is being effected by way of a Delaware statutory merger pursuant to the Merger Agreement. The Acquisition must be approved by the holders of the requisite majority of the shares of voting common stock and preferred stock of 7digital, voting as a single class, and by at least 75 per cent. in interest of the shares of preferred stock of 7digital, voting as a separate class, and, if so approved, is effective in respect of all shares of the voting stock of 7digital, unless a holder has exercised and perfected its statutory dissenters' rights under the Delaware General Corporation Law. Under such provisions, a stockholder that formally dissents from the approval of a merger and complies with various formal requirements of Delaware law may seek an appraisal of the fair value of its shares by a chancery court in Delaware and require the purchase of its shares for cash. There is the risk that if a stockholder seeks such an appraisal the Enlarged Group would be required to purchase the dissenting stockholder's shares for cash in an amount determined by a Delaware court instead of by the issue of New Ordinary Shares as per the terms of the Merger Agreement.

As a condition to the Company's obligation to complete the Acquisition under the Merger Agreement, holders of at least 90 per cent. of the shares of 7digital must have waived or lost their statutory appraisal rights.

Failure to meet minimum revenue commitments

The Enlarged Group will have minimum revenue commitments to key suppliers of content and failure to meet these targets could have a material adverse effect on the Enlarged Group's financial position.

Dependence upon key management personnel and executives

The Enlarged Group will be dependent on a small number of key management personnel. The loss of the services of one or more of such key management personnel may have an adverse effect on the Enlarged Group. The Enlarged Group's ability to manage its financing and development activities will depend in large part on the efforts of these individuals.

Ability to attract and retain employees

The Enlarged Group depends on qualified and experienced employees, especially in relation to development staff, to enable it to generate and retain business. Should the Enlarged Group be unable to attract new employees or retain existing employees this could have a material adverse effect on the Enlarged Group's ability to grow or maintain its business.

Exposure to economic cycle

The Enlarged Group is exposed to the general economic cycle through its clients' ability to purchase new products or contract new services. Such products or services could be vulnerable to delay or cancellation in the event of a continuing and prolonged downturn.

Commercial Contracts

Whilst 7digital contracts with customers and suppliers for service delivery over protracted periods, typically an initial fixed term of between 1 and 3 years with a rolling term thereafter, contracts are generally terminable with notice and there can be no guarantee that customers or suppliers will renew contracts. Furthermore, many customers and suppliers, some of which are significant customers and suppliers of the 7digital Group, are either out of contract or nearing the end of their contracts, or have contracts subject to unusually short notice periods. If such customers or suppliers who are currently out of contract or nearing the end of their contract decide not to continue with such contracts, or give short notice to terminate, this may have a material adverse effect on the Enlarged Group's financial performance.

Members of the Enlarged Group have engaged and will continue to engage with customers and suppliers with more negotiating leverage than is available to the Enlarged Group. The standard commercial terms of such entities may not be subject to negotiation and the Enlarged Group may tolerate terms which are less favourable and more onerous than might be anticipated. If for any reason the Enlarged Group comes to breach such terms the financial and operational penalties could be severe and have a material adverse impact on the operations, financial condition and outlook of the Enlarged Group.

Litigation risks

All industries are subject to legal claims, with and without merit. The Enlarged Group may become involved in legal disputes in the future. Defence and settlement costs can be substantial, even with respect to claims that have no merit. Due to the inherent uncertainty of the litigation process, there can be no assurance that the resolution of any particular legal proceeding will not have a material effect on the Enlarged Group's financial position or results of operations.

Investment in AIM securities

Although the Company is applying for the admission of its share capital to trading on AIM, there can be no assurance that an active trading market for the New Ordinary Shares will develop, or if developed, that it will be maintained. Investment in shares traded on AIM is perceived to involve a higher degree of risk than investment in a company whose shares are listed on the Official List of the UK Listing Authority. An investment in the New Ordinary Shares may be difficult to realise. Prospective investors should be aware that the value of the New Ordinary Shares may go down as well as up and that the market price of the New Ordinary Shares may not reflect the underlying value of the Enlarged Group. Investors may therefore realise less than, or lose all of, their investment.

Volatility of share price

The trading price of the New Ordinary Shares may be subject to wide fluctuations in response to a number of events and factors, such as variations in operating results, announcements of or new services by the Enlarged Group or its competitors, changes in financial estimates and recommendations by securities analysts, the share price performance of other companies that investors may deem comparable to the Company and news reports relating to trends in the Enlarged Group's markets. These fluctuations may adversely affect the trading price of the New Ordinary Shares, regardless of the Enlarged Group's performance.

Estimates in financial statements

Preparation of consolidated financial statements requires the Enlarged Group to use estimates and assumptions. Accounting for estimates requires the Enlarged Group to use its judgment to determine the amount to be recorded on its financial statements in connection with these estimates. The Enlarged Group's accounting policies require management to make certain estimates and assumptions as to future events and circumstances. In addition, the carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. If the estimates and assumptions are inaccurate, the Enlarged Group could be required to write down the value of certain assets. On an ongoing basis, the Enlarged Group re-evaluates its estimates and assumptions. However, the actual amounts could differ from those based on estimates and assumptions.

Investment Risk

An investment in the Company is highly speculative, involves a considerable degree of risk and is suitable only for persons or entities which have substantial financial means and who can afford to hold their ownership interests for an indefinite amount of time.

Ordinary Shares available for future sale

The Company is unable to predict whether substantial amounts of New Ordinary Shares will be available in the open market following Admission. Any sales of substantial amounts of New Ordinary Shares in the public market, or the perception that such sales might occur, could materially and adversely affect the market price of the New Ordinary Shares.

Suitability

The investment described in this document may not be suitable for all those who receive it. Before making a final decision, investors who are in any doubt are advised to consult their stockbroker, bank manager, solicitor or accountant or other professional adviser authorised under FSMA who specialises in advising on the acquisition of shares and other securities in the United Kingdom.

Currency

Currency fluctuations may have an effect on the Enlarged Group's cash flows and profitability. The Enlarged Group will have both revenues and costs that are incurred in Sterling, US Dollars, the Euro and to a lesser extent, other currencies, and is therefore exposed to changes in exchange rates which could adversely affect its financial performance.

Intellectual Property Rights

The commercial success of the Enlarged Group depends in part on its ability to protect its intellectual property rights and to preserve the confidentiality of its own know-how. The Enlarged Group relies upon various intellectual property protections, including copyright, trademarks, trade secrets and contractual provisions, to preserve its intellectual property rights. No assurance is given that the Enlarged Group will be able to protect and preserve its intellectual property rights or to exclude competitors with similar technology or products.

Substantial costs may be incurred if the Enlarged Group is required to defend its intellectual property rights and trade marks against third parties. Other parties may copy without authorisation the Enlarged Group's intellectual property. Due to the Enlarged Group's size and resources, it may not be able effectively to detect and prevent any infringement of its intellectual property rights. Policing unauthorised use of intellectual property is difficult, and some foreign laws do not protect proprietary rights to the same extent as the laws of the United Kingdom. To protect the Enlarged Group's intellectual property, the Enlarged Group may become involved in litigation, which, even if successful could result in substantial expense, divert the attention of its management, cause significant delays, materially disrupt the conduct of the Enlarged Group's business or adversely affect its revenue, financial condition and results of operations

In any event, the Enlarged Group's intellectual property rights may not provide meaningful commercial protection of its products.

There can be no assurance that the Enlarged Group will not receive communications from third parties asserting that the Enlarged Group's products and other intellectual property infringe, or may infringe, their proprietary rights. Any such claims, with or without merit, could be time consuming, result in costly litigation and the diversion of technical and management personnel, cause product delays or require the Enlarged Group to develop non-infringing technology or enter into royalty or licensing agreements or re-brand products. Such royalty or licensing agreements, if required, may not be available on terms acceptable to the Enlarged Group or at all. In the event of a successful claim of product infringement against the Enlarged Group and any failure or inability of the Enlarged Group to develop non infringing products or licence the infringed or similar products, the Enlarged Group's business, operating results or financial condition could be materially adversely affected.

PART III

HISTORICAL FINANCIAL INFORMATION ON UBC MEDIA GROUP PLC

Published report and accounts for each of the three financial years ended 31 March 2011, 31 March 2012 and 31 March 2013 and interim statements for the two interim periods ended 30 September 2012 and 30 September 2013.

Historical financial information

1. Pursuant to Rule 28 of the AIM Rules for Companies, the published Annual Report and Accounts of UBC plc for each of the three financial years ended 31 March 2011, 31 March 2012 and 31 March 2013 and the two unaudited 6 month periods ending 30 September 2012 and 30 September 2013 are not reproduced in this document and have been incorporated into this document by reference.
2. The accounts for each of the three financial years ended 31 March 2013 and the two unaudited 6 month periods ending 30 September 2012 and 30 September 2013 were prepared under International Financial Reporting Standards, as adopted by the EU (“IFRS”).
3. The Annual Report and Accounts for each of the three financial years ended 31 March 2011, 31 March 2012 and 31 March 2013 and the two unaudited 6 month periods ending 30 September 2012 and 30 September 2013 include, on the pages specified in the table below, the following information:

<i>Nature of information</i>	<i>For the year to 31 March</i>			<i>6 month</i>	<i>6 month</i>
	<i>2011</i>	<i>2012</i>	<i>2013</i>	<i>period ending</i>	<i>period ending</i>
	<i>Page</i>	<i>Page</i>	<i>Page</i>	<i>30 September</i>	<i>30 September</i>
Independent auditors’ report	63	16	35	n/a	n/a
Consolidated statement of comprehensive income	23	17	16	5	5
Consolidated statement of changes in equity	27	20	19	8	8
Consolidated statement of financial position	24	18	17	6	6
Consolidated cash flow statement	26	19	18	7	7
Accounting policies	34	21	20	n/a	n/a
Notes to the financial statements	34	21	20	9	9

4. Scott Lawrence of Hazlewoods LLP is a member of the Institute of Chartered Accountants in England and Wales and has issued unqualified audit opinions on the consolidated financial statements of UBC and its subsidiaries included in the Annual Report and Accounts of UBC for each of the financial year ended 31 March 2013. James Bates of Deloitte LLP is a member of the Institute of Chartered Accountants in England and Wales and has issued unqualified audit opinions on the consolidated financial statements of UBC and its subsidiaries included in the Annual Report and Accounts of UBC for each of the financial years ended 31 March 2012 and 31 March 2011.
5. The published accounts referred to above can be viewed on the Company’s website at: <http://www.ubcmmedia.com/financial-information/>

PART IV

HISTORICAL FINANCIAL INFORMATION ON 7DIGITAL

PART A: ACCOUNTANTS' REPORT ON THE CONSOLIDATED HISTORICAL FINANCIAL INFORMATION OF 7DIGITAL FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2011, 31 DECEMBER 2012, 31 DECEMBER 2013



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The directors and proposed directors (the "Directors")
UBC Media Group plc
50 Lisson Street
LONDON
NW1 5DF

20 May 2014

Dear Sirs

7digital Group, Inc ("7digital") and its subsidiary undertakings (together "7digital Group")

We report on the financial information set out Part B of this Part IV which comprises the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity, the consolidated statement of cash flows and the notes to the historical financial information for the three years ended 31 December 2013. This financial information has been prepared for inclusion in this Admission Document dated 20 May 2014 of UBC Media Group plc on the basis of the accounting policies set out in note 1 of the consolidated historical financial information.

This report is required by Paragraph (a) of Schedule Two of the AIM Rules for Companies and is given for the purpose of complying with that paragraph and for no other purpose.

Responsibilities

Save for any responsibility arising under Paragraph (a) of Schedule Two of the AIM Rules for Companies to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Paragraph (a) of Schedule Two of the AIM Rules for Companies, consenting to its inclusion in this Admission Document.

The Directors are responsible for preparing the financial information in accordance with International Financial Reporting Standards as adopted by the European Union. It is our responsibility to form an opinion on the financial information and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of the significant estimates and judgements made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement, whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the financial information gives, for the purposes of the Admission Document dated 20 May 2014, a true and fair view of the state of affairs of 7digital Group as at 31 December 2011, 2012 and 2013 and of its profits, cash flows and changes in equity for the three years ended 31 December 2011, 2012 and 2013 in accordance with International Financial Reporting Standards adopted by the European Union and has been prepared in a form that is consistent with the accounting policies adopted in UBC Media Group plc's latest annual accounts.

Declaration

For the purposes of Paragraph (a) of Schedule Two of the AIM Rules for Companies we are responsible for this report as part of this AIM Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in this AIM Admission Document in compliance with Schedule Two of the AIM Rules for Companies.

Yours faithfully

GRANT THORNTON UK LLP

**PART B: FINANCIAL INFORMATION ON 7DIGITAL FOR FINANCIAL YEARS ENDED
31 DECEMBER 2011, 31 DECEMBER 2012 AND 31 DECEMBER 2013**

**Consolidated Statement of Comprehensive Income for the 3 years ended
31 December 2011, 2012, 2013**

	<i>Notes</i>	<i>2011 £'000</i>	<i>2012 £'000</i>	<i>2013 £'000</i>
Revenue	2	8,181	11,574	11,554
Cost of sales		(4,629)	(6,673)	(6,107)
Gross profit		<u>3,552</u>	<u>4,901</u>	<u>5,447</u>
Administrative expenses		(4,433)	(7,123)	(10,044)
Operating loss	4	(881)	(2,222)	(4,597)
Finance income		–	5	–
Finance costs	7	(37)	(40)	(65)
Loss before taxation		<u>(918)</u>	<u>(2,257)</u>	<u>(4,662)</u>
Tax charge	8	(20)	(114)	(15)
Loss for the financial year		<u>(938)</u>	<u>(2,371)</u>	<u>(4,677)</u>
Other comprehensive income				
Items that may be subsequently reclassified to profit or loss, net of tax				
Currency translation differences		<u>(2)</u>	<u>2</u>	<u>–</u>
Loss for the year attributable to owners of the parent company and total comprehensive income, net of tax		<u>(940)</u>	<u>(2,369)</u>	<u>(4,677)</u>
Basic and diluted loss per share	9	<u>(51.7p)</u>	<u>(130.6p)</u>	<u>(257.1p)</u>

Consolidated Statement of Financial Position as at 31 December 2013, 2012, 2011 and 1 January 2011

		<i>1 January</i>			
	<i>Notes</i>	<i>2011</i>	<i>2011</i>	<i>2012</i>	<i>2013</i>
		<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Assets					
Non-current assets					
Property, plant and equipment	10	186	191	459	694
		<u>186</u>	<u>191</u>	<u>459</u>	<u>694</u>
Current assets					
Trade and other receivables	11	895	1,449	2,212	2,693
Cash and cash equivalents	12	1,279	1,113	5,344	1,290
		<u>2,174</u>	<u>2,562</u>	<u>7,556</u>	<u>3,983</u>
Total assets		<u>2,360</u>	<u>2,753</u>	<u>8,015</u>	<u>4,677</u>
Current liabilities					
Trade and other payables	13	818	1,296	1,457	1,542
Accruals and deferred income		1,541	2,396	4,077	4,158
Convertible loan note: current	14	–	–	–	872
Derivative financial instruments	15	–	–	–	140
		<u>2,359</u>	<u>3,692</u>	<u>5,534</u>	<u>6,712</u>
Net current assets/(liabilities)		<u>(185)</u>	<u>(1,130)</u>	<u>2,022</u>	<u>(2,729)</u>
Total liabilities		<u>2,359</u>	<u>3,692</u>	<u>5,534</u>	<u>6,712</u>
Net assets/(liabilities)		<u>1</u>	<u>(939)</u>	<u>2,481</u>	<u>(2,035)</u>
Equity					
Share capital	16	–	–	–	–
Share premium		5,688	5,688	11,477	11,477
Foreign currency translation reserve		–	(2)	–	–
Retained earnings		<u>(5,687)</u>	<u>(6,625)</u>	<u>(8,996)</u>	<u>(13,512)</u>
Total equity		<u>1</u>	<u>(939)</u>	<u>2,481</u>	<u>(2,035)</u>

Consolidated Cash Flow Statement for the 3 years ended 31 December 2013, 2012, 2011

	<i>Notes</i>	<i>2011</i> £'000	<i>2012</i> £'000	<i>2013</i> £'000
Loss before taxation		(918)	(2,257)	(4,662)
Adjustments for:				
Finance income		–	(5)	–
Finance costs		37	40	65
Loss on disposal of property, plant and equipment		3	–	–
Depreciation of property, plant and equipment		128	176	278
Share based payments		–	–	161
Increase in trade and other receivables		(554)	(763)	(481)
Increase in trade and other payables		473	163	85
Increase in accruals and deferred income		855	1,681	81
Taxation		(20)	(114)	(15)
Net cash from/(used) in operating activities		<u>4</u>	<u>(1,079)</u>	<u>(4,488)</u>
Investing activities				
Purchase of property, plant and equipment		(133)	(444)	(513)
Net cash used in investing activities		<u>(133)</u>	<u>(444)</u>	<u>(513)</u>
Financing activities				
Proceeds from issue of convertible loan note		–	–	1,000
Proceeds from issue of ordinary share capital		–	5,789	–
Finance income		–	5	–
Finance costs		(37)	(40)	(53)
Net cash from financing activities		<u>(37)</u>	<u>5,754</u>	<u>947</u>
Net (decrease)/increase in cash and cash equivalents		<u>(166)</u>	<u>4,231</u>	<u>(4,054)</u>
Cash and cash equivalents at beginning of period		<u>1,279</u>	<u>1,113</u>	<u>5,344</u>
Cash and cash equivalents at end of period		<u><u>1,113</u></u>	<u><u>5,344</u></u>	<u><u>1,290</u></u>

Consolidated Statement of Changes in Equity for the 3 years ended 31 December 2013, 2012, 2011

	<i>Share capital</i>	<i>Share premium account</i>	<i>Foreign currency translation reserve</i>	<i>Retained earnings</i>	<i>Total</i>
<i>Notes</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
At 1 January 2011	–	5,688	–	(5,687)	1
Loss for the period				(938)	(938)
Other comprehensive income:					
Currency translation differences			(2)		(2)
Total comprehensive income			(2)	(938)	(940)
At 31 December 2011	–	5,688	(2)	(6,625)	(939)
Loss for the period				(2,371)	(2,371)
Other comprehensive income:					
Currency translation differences			2		2
Total comprehensive income			2	(2,371)	(2,369)
Proceeds from share issue		5,789			5,789
Total transactions with owners		5,789			5,789
At 31 December 2012	–	11,477	–	(8,996)	2,481
Loss for the period				(4,677)	(4,677)
Total comprehensive income				(4,677)	(4,677)
Share based payments				161	161
Total transactions with owners			–	161	161
At 31 December 2013	–	11,477	–	(13,512)	(2,035)

1. PRINCIPAL ACCOUNTING POLICIES

General information

7digital is a company incorporated in Delaware, United States of America. Its registered office is Corporation Trust Centre, 1290 Orange Street, Wilmington, New Castle, DE 19801, USA. 7digital is a provider of digital media services. The Group runs its own music download services as well as providing an open platform to power third party digital music services.

This Historical Financial Information consolidates the accounts of 7digital and all of its subsidiary undertakings.

Basis of preparation

The consolidated Historical Financial Information has been prepared in accordance with International Financial Reporting Standards (IFRSs) and IFRS interpretations as adopted by the European Union applicable to companies reporting under IFRSs.

This consolidated Historical Financial Information has been prepared specifically for the purposes of the Admission document and does not constitute statutory accounts within the meaning of section 434 of Companies Act 2006. The Directors and Proposed Directors are solely responsible for the preparation of this Historical Financial Information.

The principal accounting policies set out below have been consistently applied to all the periods presented in this Historical Financial Information.

This Historical Financial Information has been primarily prepared on the historical cost basis except for certain financial instruments which are held at fair value through profit and loss. This Historical Financial Information has been prepared on a going concern basis.

First time adoption of IFRS

The consolidated Historical Financial Information is prepared in accordance with IFRS using the measurement basis specified by IFRS for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies. The date of transition to IFRS is 1 January 2011.

7digital has applied IFRS 1 First-time Adoption of International Financial Reporting Standards (as revised in 2011) in preparing this first IFRS consolidated Historical Financial Information. The effects of the transition to IFRS on equity, total comprehensive income and reported cash flows are presented in note 24.

New standards and interpretations

As this is the first set of IFRS accounts being prepared, all relevant standards have been adopted for the first time. Under SIR 2000, 7digital Group is required to adopt the relevant standards that would apply to the first set of IFRS accounts following the listing. As a result, certain new standards, interpretations and amendments applicable from accounting periods beginning on or after 1 January 2014 would apply to this Historical Financial Information.

The new standards, amendments and interpretations to existing standards that were published by the IASB and endorsed by the EU that could be applicable for 7digital Group are as follows:

- IAS 12 (Amendment) 'Amendment to IAS 12: Deferred tax – Recovery of Underlying Assets'
- IFRS 10 'Consolidated Financial Statements' (IFRS 10)
- IFRS 11 'Joint Arrangements' (IFRS 11)
- IFRS 12 'Disclosure of Interests in Other Entities' (IFRS 12)
- IFRS 13 'Fair Value Measurement' (IFRS 13)
- IAS 27 (Revised) 'Separate Financial Statements'

- IAS 28 (Revised) ‘Investments in Associates and Joint Ventures’
- IFRS 7 (Amendment) ‘Disclosures – Offsetting Financial Assets and Financial Liabilities – Amendments to IFRS 7’
- Amendments to IAS 19 ‘Employee Benefits’ (IAS 19)
- ‘Investment Entities – Amendments to IFRS 10, IFRS 12 and IAS 27’
- ‘Transition Guidance – Amendments to IFRS 10, IFRS 11 and IFRS 12’
- Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32
- Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36)
- Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39) (effective 1 January 2014)

Information on the new key standards that are applicable to the Group are presented below.

IFRS 10 ‘Consolidated Financial Statements’ (IFRS 10)

IFRS 10 supersedes IAS 27 ‘Consolidated and Separate Financial Statements’ (IAS 27) and SIC 12 ‘Consolidation-Special Purpose Entities’. IFRS 10 revises the definition of control and provides extensive new guidance on its application. These new requirements have the potential to affect which of 7digital Group’s investees are considered to be subsidiaries and therefore to change the scope of consolidation. The requirements on consolidation procedures, accounting for changes in non-controlling interests and accounting for loss of control of a subsidiary are unchanged.

Management has reviewed its control assessments in accordance with IFRS 10 and has concluded that there is no effect on the classification (as subsidiaries or otherwise) of any of 7digital Group’s investees held during the period or comparative periods covered by these financial statements.

IFRS 12 ‘Disclosure of Interests in Other Entities’ (IFRS 12)

IFRS 12 integrates and makes consistent the disclosure requirements for various types of investments, including unconsolidated structured entities. It introduces new disclosure requirements about the risks to which an entity is exposed from its involvement with structured entities. Note 22 illustrates the application of IFRS 12 in the current year.

IFRS 13 Fair Value Measurement (IFRS 13)

IFRS 13 clarifies the definition of fair value and provides related guidance and enhanced disclosures about fair value measurements. It does not affect which items are required to be fair-valued. The scope of IFRS 13 is broad and it applies for both financial and non-financial items for which other IFRSs require or permit fair value measurements or disclosures about fair value measurements except in certain circumstances.

7digital Group has applied IFRS 13 in the preparation of this Historical Financial Information, see notes 14 and 15.

The remaining standards have no significant impact on 7digital Group.

New standards, interpretations and amendments not yet effective

There are no further standards in issue that have been adopted by the EU which would be applicable for 7digital Group.

There were no material changes in the accounts as a result of adopting new or revised accounting standards during the 3 years under review except as described above.

Key accounting policies

Going concern

7digital Group has reported an operating loss for each of the three years presented in this financial information and expects this position to continue in the short term, so a material uncertainty exists over future trading cash flows.

The directors of 7digital have assessed the current financial position of 7digital along with future cash flow requirements to determine if 7digital has the financial resources to continue as a going concern for the foreseeable future. The directors have concluded that the ability of 7digital to continue in operational existence is dependent upon raising of funds as detailed in Part I of this document. In order to achieve this, Shareholder approval is required and receipt of proceeds is subject to Admission. The directors of 7digital consider that Shareholder approval and Admission will occur. For this reason the directors of 7digital continue to adopt the going concern basis in preparing the Historical Financial Information. The Historical Financial Information does not include any adjustments that would result in the going concern basis of preparation being inappropriate.

Basis of Consolidation

The Historical Financial Information consolidates the financial statements of the parent company and all of its subsidiary undertakings drawn up to 31 December 2013. Subsidiaries are all entities over which 7digital has the power to control the financial and operating policies. 7digital obtains and exercises control through holding more than half of the voting rights for all its subsidiaries. All subsidiaries are consolidated from the acquisition date, which is the date from which control passes to 7digital.

Unrealised gains and losses on transactions between 7digital Group companies are eliminated. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by 7digital Group.

Business combinations are dealt with by the acquisition method. The acquisition method involves the recognition at fair value of all the identifiable assets and liabilities, including contingent liabilities, of the subsidiary at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial balance sheet recognition, the assets and liabilities of the subsidiary are included in the consolidated balance sheet at their fair values, which are also used as the basis for subsequent measurement in accordance with 7digital Group accounting policies.

Functional and presentational currency

The Historical Financial Information is presented in Sterling (“GBP”) which is 7digital Group’s presentational currency. Sterling is also the functional currency of 7digital.

The results and financial position of all 7digital Group companies that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (a) assets and liabilities for each balance sheet presented are translated at the closing rate at the balance sheet date;
- (b) income and expenses for each income statement are translated at average exchange rates; and
- (c) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are recognised in other comprehensive income. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

Segment reporting

The accounting policy for identifying segments is based on internal management information that is regularly received by the chief operating decision maker, which is identified as the Board of Directors. In identifying its operating segments, management generally follows the key revenue divisions of the Group, being B2B and B2C, as detailed in note 3.

Revenue

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business and excludes intra-group sales, Value Added Tax and trade discounts.

Revenue is recognised when the amount can be reliably measured, it is probable that future economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred can be measured reliably.

Revenue comprises:

- Technology licencing revenue: This is the revenue generated from the provision of access to the 7digital music store service. Revenue is recognised when the service is billed, which corresponds to the performance of the service, most commonly on a monthly basis.
- Voucher sales: Revenue is recognised on the sale of the non-refundable voucher. At this point all obligations have been fulfilled and the service has been provided.
- Digital download and white label sales: Revenue is recognised when the track is sold as the services have been provided.

Critical accounting judgements and key areas of estimation uncertainty

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 7digital Group has discharged its obligations in respect of the performance of services.

Deferred tax asset

Deferred tax assets arising from temporary timing differences are recognised only to the extent that it is probable that there will be sufficient taxable profits against which to recognise the benefits of the temporary timing differences and they are expected to reverse in the foreseeable future. No deferred tax assets have been recognised due to uncertainty over the availability of future profits.

Share options

The key estimates and judgements relating to share options are detailed in note 20.

Going concern

The key estimates and judgements relating to going concern are detailed within the key accounting policies.

Research and development costs

Expenditure on the research phase of an internal project is recognised as an expense in the period in which it is incurred. Development costs incurred on specific projects are capitalised when all the following conditions are satisfied:

- Completion of the asset is technically feasible so that it will be available for use or sale
- 7digital Group intends to complete the asset and use or sell it

- 7digital Group has the ability to use or sell the asset and the asset will generate probable future economic benefits (over and above cost)
- There are adequate technical, financial and other resources to complete the development and to use or sell the asset, and
- The expenditure attributable to the asset during its development can be measured reliably.

Development costs not meeting the criteria for capitalisation are expensed as incurred. The cost of an internally generated asset comprises all directly attributable costs necessary to create, produce and prepare the asset to be capable of operating in the manner intended by management. Directly attributable costs include employee (other than director) costs incurred along with third party costs.

Judgement by the directors is applied when deciding whether the recognition requirements for development costs have been met. Judgements are based on the information available at each balance sheet date. In addition, all internal activities related to the research and development of new projects are continuously monitored by the directors.

No development costs were capitalised during the periods presented in this Historical Financial Information. At each period end presented, the directors were unable to demonstrate that the conditions above could be met and therefore the directors felt it would have been inappropriate to capitalise development costs at that time.

Fair value of financial instruments

Management uses valuation techniques to determine the fair value of financial instruments (where active market quotes are not available). This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management bases its assumptions on observable data as far as possible but this is not always available. In that case management uses the best information available. Estimated fair values may differ from the actual prices that would be achieved in an arm's length transaction at the reporting date (see notes 14 and 15).

Property, plant and equipment

Property, plant and equipment is stated at cost less depreciation which is calculated to write off the cost of the fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Plant and machinery	3 years
Fixtures and fittings	5 years
Office equipment	3 years

The residual value and useful life of each asset is reviewed and adjusted, if appropriate, at each balance sheet date. At each balance sheet date the Group reviews the carrying amount of its property, plant and equipment for any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into their respective functional currencies at rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into Sterling at the rate ruling at the date of the transaction. Exchange gains and losses are recognised in the profit and loss account.

Income taxes

Current income tax liabilities comprise those obligations to fiscal authorities relating to the current or prior reporting period, that are unpaid at the balance sheet date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in the consolidated

income statement, except where it relates to items charged or credited to other comprehensive income or directly to equity.

Deferred income taxes are calculated using the liability method on temporary differences. This involves the comparison of the carrying amounts of assets and liabilities in the consolidated Historical Financial Information with their respective tax bases. In addition, tax losses available to be carried forward as well as other income tax credits to 7digital Group are assessed for recognition as deferred tax assets.

Deferred tax liabilities are always provided for in full. Deferred tax assets are recognised to the extent that it is probable that the underlying deductible temporary differences will be able to be offset against future taxable income. Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the balance sheet date. Deferred tax is recognised as a component of tax expense in the consolidated income statement, except where it relates to items charged or credited to other comprehensive income or directly to equity.

Interest

Interest income and expenses are recognised on an accruals basis using the effective interest method.

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged to the income statement net of any incentives received from the lessor on a straight line basis over the period of the lease.

Employee benefits

7digital Group operates a defined contribution pension plan on behalf of its employees; amounts are recognised as expenses as they fall due.

Share based payments

7digital Group has issued share options to subscribe for equity. All share-based arrangements are recognised in this financial information in accordance with IFRS 2. All services received in exchange for the grant of any share-based payment are measured indirectly by reference to the fair value of equity instruments granted. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions (for example, profitability and sales growth targets). All equity-settled share-based arrangements are ultimately recognised as an expense in the consolidated income statement with a corresponding credit to equity. If vesting periods apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognised in the current period. No adjustment is made to any expense recognised in prior periods if share options ultimately exercised are different to that estimated on vesting. Upon exercise of share options the proceeds received net of attributable transaction costs are credited to share capital, and where appropriate, share premium.

Financial instruments

Financial assets

Financial assets are recognised when 7digital Group becomes a party to contractual provisions of the financial instruments. 7digital Group classifies its financial assets as loans and receivables.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and bank deposits available on demand.

Loans and receivables

Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as “loans and receivables”. Loans and receivables are measured using the effective interest method less provision for any impairment. Provision for impairment is made where there is objective evidence that 7digital Group will not be able to collect all amounts due to it in accordance with the original terms of those receivables. The amount written down is determined as the difference between the assets carrying value and the present value of future cash flows.

Financial liabilities and equity instruments

Financial liabilities and equity are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of 7digital Group after deducting all of its liabilities. Other financial liabilities (including borrowings and trade and other payables) are initially recognised at fair value and subsequently are measured at amortised cost using the effective interest method.

Convertible loan notes

Convertible loan notes denominated in currencies other than Sterling are accounted for as financial liabilities. The instruments are split between:

- the “host” debt instrument being a non-convertible debt. The host contract is recognised at fair value and subsequently measured at amortised cost using the effective interest rate
- an embedded derivative representing the conversion feature
- an embedded derivative representing the prepayment option

The embedded derivatives are considered to be inter-related in terms of risk exposure and hence are treated as a single compound embedded derivative, which is separated and carried at fair value through profit and loss.

The valuation of the embedded derivatives is performed at inception of the loan and at the end of each reporting date thereafter. The residual value is then allocated to the host debt instrument.

Equity and reserves

Share capital represents the nominal value of shares that have been issued. 7digital Group has two classes of Share Capital, Ordinary Shares and Preference A Shares.

Preference A Shares accrue dividends at a fixed rate per annum, however these dividends only become payable at the option of the Company. Preference A Shares carry voting rights that rank *pari passu* with those of the Ordinary Shares, and can be converted to Ordinary Shares at fixed ratio at the option of the Holder at any time. Preference A Shares are accounted for as equity instruments as they evidence a residual interest in the assets of 7digital Group after deducting all liabilities.

Share premium includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium, net of any related income tax benefits.

Retained earnings include all current and prior period retained profits or losses. It also includes amounts related to share-based employee remuneration.

Foreign currency translation reserves represent the differences arising from translation of investments in overseas subsidiaries.

2. REVENUE

An analysis of 7digital Group's revenue, which entirely comprises the provision of services, is as follows:

	2011	2012	2013
	£'000	£'000	£'000
Geographical analysis of revenue:			
United Kingdom	4,300	4,698	3,601
Rest of European Union	1,378	2,117	2,791
Rest of world	2,503	4,759	5,162
	<u>8,181</u>	<u>11,574</u>	<u>11,544</u>

3. SEGMENT REPORTING

Operating segments

For management purposes, 7digital Group is organised into two continuing operating divisions – B2C and B2B. The principal activities of the B2C division are voucher sales, digital download and white label sales to consumers. The principal activity of the B2B division is the provision of access to the 7digital music store for corporate customers. These divisions comprise 7digital Group's operating segments for the purposes of reporting to 7digital Group's chief operating decision maker, the Board of Directors.

	<i>B2C</i>			<i>B2B</i>			<i>Unallocated</i>			<i>Total</i>		
	2011	2012	2013	2011	2012	2013	2011	2012	2013	2011	2012	2013
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Revenue from external customers	4,233	7,122	6,605	3,948	4,452	4,949	–	–	–	8,181	11,574	11,554
Segment's result (gross profit)	259	562	732	3,293	4,339	4,715	–	–	–	3,552	4,901	5,447
Corporate expense	–	–	–	–	–	–	4,433	7,123	10,044	4,433	7,123	10,044
Operating profit/(loss)	<u>259</u>	<u>562</u>	<u>732</u>	<u>3,293</u>	<u>4,339</u>	<u>4,715</u>	<u>(4,433)</u>	<u>(7,123)</u>	<u>(10,044)</u>	(881)	(2,222)	(4,597)
Financing costs										(37)	(35)	(65)
Tax charge										(20)	(114)	(15)
Loss for the year										<u>(938)</u>	<u>(2,371)</u>	<u>(4,677)</u>
Other segment items:												
Capital additions										133	444	513
Depreciation										<u>128</u>	<u>176</u>	<u>278</u>

In the year ended 31 December 2013, revenues of £1,161,000 (2012: £1,582,000, 2011: £1,343,000) are included within the B2C segment (2013), B2B segment (2012) and the B2B segment (2011) respectively from sales to 7digital Group's single largest customer in those years. No other customer formed greater than 10 per cent. of external revenues within the 3 years ended 31 December 2013. 7digital Group's B2C operations and assets are primarily located in Luxembourg while the remainder of Group's operations are primarily located in the United Kingdom and the USA.

4. OPERATING LOSS FOR THE YEAR

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

	2011	2012	2013
	£'000	£'000	£'000
Net foreign exchange (profit)/loss	33	89	65
Depreciation of property, plant & equipment	128	176	278
Operating lease payments – land and buildings	85	76	266
Loss on disposal of fixed assets	3	–	–
Staff costs	2,946	4,405	6,148
Share based payment expense	–	–	161
Research and development expenditure	1,758	2,538	3,109

5. AUDITOR'S REMUNERATION

	2011 £'000	2012 £'000	2013 £'000
Fees payable to 7digital Group's auditor for the audit of 7digital Group's annual accounts	18	31	25
Fees payable to 7digital Group's auditor for other services to 7digital Group	14	2	2
Total fees paid to 7digital Group's auditor	<u>32</u>	<u>33</u>	<u>27</u>

6. STAFF COSTS

The average monthly number of persons employed by 7digital Group during the year, including executive directors, was 108 (2012: 89, 2011: 64). The majority of staff costs in 7digital Group are presented in cost of sales.

	2011 No.	2012 No.	2013 No.
Number of production, R & D and sales staff	37	53	64
Number of management and administrative staff	27	36	44
	<u>64</u>	<u>89</u>	<u>108</u>

	2011 £'000	2012 £'000	2013 £'000
Wages and salaries	2,631	3,947	5,542
Social security costs	305	446	423
Other pension costs	–	22	22
Share based payments	10	(10)	161
	<u>2,946</u>	<u>4,405</u>	<u>6,148</u>

7. FINANCE COSTS

	2011 £'000	2012 £'000	2013 £'000
Other charges similar to interest	37	40	53
Interest on convertible debt	–	–	12
	<u>37</u>	<u>40</u>	<u>65</u>

8. TAX

Corporation tax is calculated at 24 per cent. (2012: 24.5 per cent., 2011: 26.5 per cent.) of the estimated assessable profit for the year.

	2011 £'000	2012 £'000	2013 £'000
Current tax	–	–	–
Foreign tax on income for the year	20	114	15
	<u>20</u>	<u>114</u>	<u>15</u>

7digital Group has a deferred tax asset of £2,585,000 at 31 December 2013 (2012: £1,743,000, 2011: £1,057,000) in respect of losses carried forward and other short term timing differences which have not been recognised on the balance sheet as there is insufficient evidence that these losses and timing differences will offset against taxable profits in the foreseeable future.

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

	<i>2011</i> £'000	<i>2012</i> £'000	<i>2013</i> £'000
Loss before tax:	<u>(918)</u>	<u>(2,257)</u>	<u>(4,662)</u>
Tax at UK corporation tax rate of 24% (2012: 24.5%, 2011: 26.5%)	(243)	(553)	(1,119)
Tax effect of expenses that are not deductible in determining taxable profit	3	–	–
Accelerated capital allowances	(24)	(17)	(39)
Unrelieved tax losses carried forward	264	570	1,158
Foreign tax suffered	20	114	15
Tax charge for the year	<u>20</u>	<u>114</u>	<u>15</u>

9. LOSS PER SHARE

The basic and diluted earnings per share is calculated by dividing the loss attributable to the owners of 7digital by the weighted average number of ordinary shares in issue during the year,

	<i>2011</i> £'000	<i>2012</i> £'000	<i>2013</i> £'000
Earnings			
Loss on ordinary activities for the purposes of basis and fully diluted loss per share	<u>(938)</u>	<u>(2,371)</u>	<u>(4,677)</u>
Number of shares			
Weighted average number of shares for calculating basic and fully diluted earnings per share	<u>1,815,544</u>	<u>1,815,544</u>	<u>1,819,253</u>
Loss per share			
Basic and diluted loss per share	<u>51.7p</u>	<u>130.6p</u>	<u>257.1p</u>

10. PROPERTY, PLANT AND EQUIPMENT

	<i>Plant & machinery</i> £'000	<i>Fixtures & fittings</i> £'000	<i>Office equipment</i> £'000	<i>Total</i> £'000
Cost				
At 1 January 2011	92	48	356	496
Additions in 2011	4	7	122	133
At 31 December 2011	96	55	478	629
Additions in 2012	1	6	437	444
At 31 December 2012	97	61	915	1,073
Additions in 2013	84	47	382	513
At 31 December 2013	181	108	1,297	1,586
Depreciation				
At 1 January 2011	84	19	207	310
Charge for year 2011	8	14	106	128
At 31 December 2011	92	33	313	438
Charge for year 2012	2	17	157	176
At 31 December 2012	94	50	470	614
Charge for year 2013	7	17	254	278
At 31 December 2013	101	67	724	892
Net book value				
At 31 December 2011	4	22	165	191
At 31 December 2012	3	11	445	459
At 31 December 2013	80	41	573	694
At 1 January 2011	8	29	149	186

11. TRADE AND OTHER RECEIVABLES

	<i>1 January 2011</i> £'000	<i>2011</i> £'000	<i>2012</i> £'000	<i>2013</i> £'000
Trade receivables	483	1,115	1,617	1,517
Other debtors	287	48	361	436
Accrued income	–	140	–	462
Prepayments	125	146	234	278
	895	1,449	2,212	2,693

The average credit period taken on sales of goods and services is 50 days (2012: 51 days, 2011: 49 days). No interest is charged on receivables. Trade receivables are provided for based on estimated irrecoverable amounts from the sale of services, determined by reference to past default experience and likelihood of recovery as assessed by the directors of 7digital.

Before accepting any new major customer, 7digital Group uses an external credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. The directors of 7digital believe that the trade receivables that are past due but not impaired are of a good credit quality.

Included in 7digital Group's trade receivable balance are debtors with a carrying amount of £1,432,000 (2012: £1,844,000, 2011: £1,039,000) which are past due at the reporting date for which 7digital Group has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. 7digital Group does not hold any collateral over these balances.

Ageing of past due but not impaired receivables

	<i>1 January 2011</i>	<i>2011</i>	<i>2012</i>	<i>2013</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
30-60 days	88	164	284	301
60-90 days	(80)	98	156	34
90-120 days	94	69	190	205
120+ days	234	83	670	753
Total	<u>336</u>	<u>414</u>	<u>1,300</u>	<u>1,293</u>

Movement in the allowance for doubtful debts

	<i>1 January 2011</i>	<i>2011</i>	<i>2012</i>	<i>2013</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Opening allowance for doubtful debts	18	18	18	53
Provisions made	–	–	35	235
Written off as bad debt	–	–	–	(185)
Amounts recovered during the period	–	–	–	–
Closing allowance for doubtful debts	<u>18</u>	<u>18</u>	<u>53</u>	<u>103</u>

In determining the recoverability of trade receivables 7digital 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 impaired trade receivables which have been placed under liquidation of £3,000 (2012: £21,000, 2011: £nil). Any impairment recognised represents the difference between the carrying amount of these trade receivables and the present value of the expected liquidation proceeds. 7digital Group does not hold any collateral over these balances.

Ageing of impaired trade receivables

	<i>1 January 2011</i>	<i>2011</i>	<i>2012</i>	<i>2013</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
120+	–	18	35	80
Total	<u>–</u>	<u>18</u>	<u>35</u>	<u>80</u>

The directors of 7digital consider that the carrying amount of trade and other receivables approximates their fair value.

12. CASH AND CASH EQUIVALENTS

	<i>1 January 2011</i>	<i>2011</i>	<i>2012</i>	<i>2013</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Cash at bank and at hand	1,279	1,113	5,344	1,290
Total	<u>1,279</u>	<u>1,113</u>	<u>5,344</u>	<u>1,290</u>

13. TRADE AND OTHER PAYABLES

	<i>1 January 2011</i>	<i>2011</i>	<i>2012</i>	<i>2013</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Trade payables	605	1,014	1,235	995
Other taxes and social security	75	102	144	94
Other creditors	138	180	78	453
	<u>818</u>	<u>1,296</u>	<u>1,457</u>	<u>1,542</u>

Trade creditors and other payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 37 days (2012: 48 days, 2011: 62 days). 7digital Group has financial risk management policies in place to ensure that all payables are paid within the credit time frame.

The directors of 7digital consider that the carrying amount of trade payables approximates to their fair value.

14. CONVERTIBLE LOAN NOTE

In November 2013, 7digital Group received a £1 million loan from UBC Media Group plc (“UBC”) under the terms of a convertible loan note, which accrues 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.

The terms of the loan include the following options:

- the note holder may elect at any time to convert the note into the US dollar preference shares of the Group at a pre-agreed price.
- the note issuer may elect, with minimum five days notice, to repay or prepay the loan in whole or in part.
- there are default provisions accelerating the repayment date in the event that the merger discussions between 7digital Group and UBC Media Group plc terminate or in the event of a prior change of control of 7digital Group.

Management have carried out an assessment of the terms of the UBC loan and have judged that the instrument consists of two components:

- a host instrument, held at amortised cost
- a single compound embedded derivative that comprises multiple embedded derivatives (comprising the various prepayment options and the conversion option) that expose 7digital Group to inter-related risks. The compound embedded derivative has been recognised separately as a derivative financial instrument at fair value through profit and loss (FVTPL)

A fair value exercise to determine the value of the components was performed at inception of the loan (November 2013). The valuation takes into account the share price of the issuer and the time value of the option.

The embedded derivative is defined as the value of the derivative liability comprising the various prepayment options and the conversion option. The valuation takes into account the share price of the issuer and the time value of the option.

Valuation techniques are selected based on the characteristics of each instrument, with the overall objective of maximising the use of market based information.

The valuation technique for the single compound embedded derivative, which is a level 3 item, is as follows:

The fair value of the compound embedded derivative recognised separately from the host convertible loan is estimated using a present value technique. The fair value at each date is estimated by probability weighting

the prepayment feature, adjusting for risk and discounting at 20 per cent., based upon commercially applicable rates.

The valuation of the compound embedded derivative is performed at the inception of the loan (November 2013) and at each reporting date thereafter. At the 31 December 2013, there had been no material changes to the valuation as determined at inception.

	<i>1 January 2011</i>	<i>2011</i>	<i>2012</i>	<i>2013</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Fair value of net proceeds				
Net proceeds of issue	–	–	–	1,000
Embedded derivative	–	–	–	140
Liability component	–	–	–	860
	<u>–</u>	<u>–</u>	<u>–</u>	<u>1,000</u>
Liability component at date of issue	–	–	–	860
Interest charge for the year	–	–	–	12
Liability component	<u>–</u>	<u>–</u>	<u>–</u>	<u>872</u>

15. FAIR VALUE MEASUREMENT

Fair value of financial instruments

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three levels of fair value hierarchy. This grouping is determined based on the lowest level of significant inputs used in fair value measurement, as follows:

- level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities
- level 2 – inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table shows the levels within the hierarchy of financial assets and liabilities measured at fair value on a recurring basis as at each period end:

	<i>1 January 2011</i>	<i>2011</i>	<i>2012</i>	<i>2013</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Financial liabilities at FVTPL				
Embedded derivatives – level 3	–	–	–	140
	<u>–</u>	<u>–</u>	<u>–</u>	<u>140</u>

16. SHARE CAPITAL

	1 January 2011	2011	2012	2013
Authorised:	No.	No.	No.	No.
Ordinary share of US\$0.0001 each	1,973,417	1,973,417	2,537,242	2,537,242
Preference A shares of US\$0.0001 each	n/a	n/a	563,825	563,825
Allotted, called up and fully paid:				
Ordinary shares of US\$0.0001 each	1,815,544	1,815,544	1,815,544	1,829,760
Preference A shares of US\$0.0001 each	n/a	n/a	563,825	563,825

7digital Group has one class of ordinary shares which carry no right to fixed income. The Preference A shares carry a liquidation preference of US\$17.736 per share and accrue dividends at a fixed rate per annum, however these dividends only become payable at the option of 7digital Group. Preference A Shares carry voting rights that rank *pari passu* with those of the Ordinary Shares, and can be converted to Ordinary Shares at fixed ratio at the option of the Holder at any time. Preference A Shares are accounted for as equity instruments as they evidence a residual interest in the assets of 7digital Group after deducting all liabilities.

During 2012, 563,825 Preference A shares were issued with a nominal value of £35. For these shares £5,871,000 was received and expenses of £82,000 were incurred. This resulted in a surplus of £5,789,000 which has been recognised within the share premium account.

During 2013, 14,216 new ordinary shares were issued at par as a result of the exercise of share options.

17. OPERATING LEASE ARRANGEMENTS

7digital Group as lessee

	2011	2012	2013
	£'000	£'000	£'000
Minimum lease payments under operating leases recognised as an expense in the year	85	76	266

At the balance sheet date, 7digital Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2011	2012	2013
	£'000	£'000	£'000
Within one year	–	7	493
In the second to fifth year inclusive	82	–	1,478

Operating lease payments represent rentals payable by 7digital Group for its office properties and equipment. Property leases are negotiated for an average term of 10 years and equipment for an average term of 3 years.

18. RETIREMENT BENEFIT SCHEMES

Defined contribution scheme

7digital Group operates a defined contribution retirement benefit scheme for qualifying employees. The assets of the scheme are held separately from those of 7digital Group in funds under the control of trustees. The total cost charged to income of £103,000 (2012: £22,000, 2011: £nil) represents contributions payable to the scheme by 7digital Group at rates specified in the rules of the plans. As at 31 December 2013, all contributions due in respect of the current reporting period have been paid over to the scheme (2012: £nil, 2011: £nil).

19. 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.

HMV Group Plc (“HMV”) owned a 50 per cent. stake in 7digital and, as such, companies that are part of HMV in 2012 and 2011 are considered related parties to 7digital. 7digital Group billed £nil during 2013 (2012: £877,000, 2011: £567,000) for services provided to HMV. The amount due from HMV at year end was £nil (2012: £112,000, 2011: £17,000), which is unsecured. HMV have gone into administration and, as a result, 7digital Group feels that it is unlikely that it will receive this balance and accordingly has provided for it. The bad debt expense incurred in the period was £nil (2012: £106,000, 2011: £nil).

HMV went out of business in late 2012. Certain of their interests were acquired by Hilco in early 2013, who re-engaged with 7digital for music services under the name HMV. Goodmans acquired HMV’s shares in 7digital in early 2014.

The total amount billed by 7digital Group for services to HMV Digital Limited, an interest owned by Hilco was £386,000 (2012: £nil, 2011: £nil). The total amount outstanding at the end of the year was £117,000 (2012: £nil, 2011: £nil).

Imagination acquired a 16 per cent. stake in 7digital in 2013 and, as such, transactions with Imagination are considered related party transactions. The amount billed by 7digital Group for services during 2013 was £843,000 (2012: £299,000) and the amount outstanding at the end of the year was £12,000 (2012: £30,000), which is unsecured.

Remuneration of key management personnel

The remuneration of the directors of 7digital, who are the key management personnel of 7digital Group, is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures.

Total directors’ remuneration	<i>2011</i>	<i>2012</i>	<i>2013</i>
	<i>£’000</i>	<i>£’000</i>	<i>£’000</i>
Short- term employment benefits	284	364	151
Post-employment benefits	–	–	–
	<u>284</u>	<u>364</u>	<u>151</u>
Highest paid director	<i>2011</i>	<i>2012</i>	<i>2013</i>
	<i>£’000</i>	<i>£’000</i>	<i>£’000</i>
Short- term employment benefits	100	159	151
	<u>100</u>	<u>159</u>	<u>151</u>

There were no other transactions with directors during the 3 years.

20. SHARE-BASED PAYMENTS

7digital Group operates an Enterprise Management Incentive (EMI) share option scheme for its key management and staff.

	<i>Share options</i>	<i>Weighted average exercise price</i>
Outstanding at 1 January 2011	–	–
Granted during the year	–	–
Outstanding at 31 December 2011	–	–
Granted during the year	136,650	\$0.0001
Outstanding at 31 December 2012	136,650	\$0.0001
Exercised during the year	(14,216)	\$0.0001
Granted during the year	30,900	\$0.0001
Cancelled during the year	(15,384)	\$0.0001
Outstanding at 31 December 2013	137,950	\$0.0001
Exercisable at 31 December 2011	–	–
Exercisable at 31 December 2012	–	–
Exercisable at 31 December 2013	–	–

No options were exercised during the 3 years under review. The options outstanding at 31 December 2013 had a weighted average exercise price of 16.69p (2012: 10.55p, 2011: n/a) and a weighted average remaining contract life of 9.2 years (2012: 10 years, 2011: n/a).

7digital Group has recognised a share-based payment charge on equity settled options for 2013 of £161,000 (2012: £nil, 2011: n/a).

The inputs to the Black Scholes model for the option issues are as below.

Date of grant

	<i>December 2012</i>	<i>June 2013</i>
Market value at date of grant (£)	£2.15	£2.15
Number of share options granted	136,650	30,900
Term of options (years)	10	10
Period of vesting (years)	3	3
Exercise price – weighted average (\$)	\$0.0001	\$0.0001
Risk-free rate	0.89%	1.37%
Expected dividend yield	0%	0%
Expected volatility	55%	55%
Fair value option (p)	2.09p	1.92p

The expected volatility is based on the historical share price of a comparable peer group of publicly traded companies averaged over a period equal to the expected life of the options. The expected life is the average expected period to exercise. The risk free rate of return is based on the UK Government gilts.

During 2013, 14,216 new ordinary shares were issued as a result of the exercise of share options.

21. FINANCIAL INSTRUMENTS

Capital risk management

7digital Group manages its capital to ensure that entities in 7digital Group will be able to meet their financial obligations as they arise while maximising the return to stakeholders. The capital structure of 7digital Group consists of cash and cash equivalents, an external loan from UBC Media Group plc received in November 2013 (see note 12) and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in the Consolidated Statement of Changes in Shareholders' Equity.

7digital Group does not have any other external borrowings, does not have access to any committed borrowing facilities and is not subject to externally imposed capital requirements.

Fair value of financial instruments

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three levels of fair value hierarchy. This grouping is determined based on the lowest level of significant inputs used in fair value measurement, as follows:

- level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities
- level 2 – inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (ie derived from prices)
- level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The only financial liabilities measured at fair value in the statement of financial position relate to the embedded derivatives detailed in note 13. The hierarchy of this financial liability would be measured at level 3.

Set out below is a maturity analysis for non-derivative and derivative financial liabilities. The amounts disclosed are based on contractual undiscounted cash flows. The table includes both interest and principal cash flows.

Categories of financial instruments

	<i>2010</i>	<i>2011</i>	<i>2012</i>	<i>2013</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Financial assets				
Cash and cash equivalents	1,279	1,113	5,344	1,290
Trade and other receivables	770	1,303	1,978	2,415
	<hr/>	<hr/>	<hr/>	<hr/>
Financial liabilities at amortised cost				
Convertible loan note: amortised cost	–	–	–	947
Trade and other payables	818	1,296	1,457	2,130
	<hr/>	<hr/>	<hr/>	<hr/>
Financial liabilities at FVTPL				
Embedded derivatives	–	–	–	140
	<hr/>	<hr/>	<hr/>	<hr/>

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 periods under review, 7digital Group's policy not to use or trade in derivative financial instruments, except as detailed in notes 13 and 14. 7digital 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 7digital Group's operations in the year.

Currency risk management

7digital Group has limited exposure to foreign currency risk; thus the main risks arising from 7digital Group's financial instruments are interest rate risk and liquidity risk. The directors review policies for managing these risks and they are summarised below. These policies have remained unchanged throughout the periods under review.

Interest rate risk management

7digital 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.

Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates at the balance sheet date. Management believes that 7digital Group's sensitivity to interest rate movements is not material during the period under review.

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to 7digital Group. 7digital Group has adopted a policy of only dealing with creditworthy counterparties, as a means of mitigating the risk of financial loss from defaults. 7digital Group only transacts with entities after assessing credit quality using independent rating agencies and if not available, 7digital Group uses other publicly available financial information and its own trading records to rate its major customers. 7digital 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.

Trade receivables consist mainly of large corporate customers and there is no significant concentration of credit risk. Ongoing 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 of impairment losses, represents 7digital Group's maximum exposure to credit risk.

Liquidity risk management

7digital Group's policy throughout the year has been to ensure continuity of funds. 7digital Group manages liquidity risk by maintaining adequate reserves and banking facilities when available by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

All financial liabilities are non-interest bearing and fall due within one month except for the loan note from UBC Media Group plc (see note 12).

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.

22. PRINCIPAL SUBSIDIARIES

<i>Company name</i>	<i>Country</i>	<i>% Shareholding</i>	<i>Description</i>
7digital Inc	USA	100%	US operating company
7digital Ltd	UK	100%	Main operating company
SD Music Stores Ltd	UK	100%	Australian operating company
7digital Europe Sarl	Luxembourg	100%	Luxembourg operating company

23. POST BALANCE SHEET EVENTS

On 1 May 2014, Imagination extended a bridge loan to 7digital, at nil interest, in the amount of £1 million to fund its working capital needs. At completion of the Acquisition, 7digital will novate the loan to UBC, immediately following which UBC will issue an aggregate of 3,703,703 New Ordinary Shares at to Imagination at the Placing Price, in full settlement of the liability under the loan.

On 20 May 2014 UBC Media Group plc announced that it had conditionally agreed to purchase the entire issued and to be issued share capital of 7digital for an aggregate consideration of £16.5 million to be satisfied by the issue of 61,335,286 New Ordinary Shares at 27 pence per New Ordinary Share. The Acquisition will be completed by way of a Delaware reverse triangular merger under the terms of the Merger Agreement.

24. RECONCILIATION OF UK GAAP TO IFRS FINANCIAL INFORMATION

The historical financial information presented here can be reconciled to the amounts under UK GAAP as follows:

	Note	2011			2012			2013		
		UK GAAP £'000	Adjustments £'000	IFRS £'000	UK GAAP £'000	Adjustments £'000	IFRS £'000	UK GAAP £'000	Adjustments £'000	IFRS £'000
Assets										
Non-current assets										
Intangible assets	(a)	227	(227)	–	422	(422)	–	492	(492)	–
Tangible fixed assets		191		191	459		459	694		694
		<u>418</u>	<u>(227)</u>	<u>191</u>	<u>881</u>	<u>(422)</u>	<u>459</u>	<u>1,186</u>	<u>(492)</u>	<u>694</u>
Current assets										
Trade and other receivables		1,449		1,449	2,212		2,212	2,693		2,693
Cash and cash equivalents		1,113		1,113	5,344		5,344	1,290		1,290
		<u>2,562</u>		<u>2,562</u>	<u>7,556</u>		<u>7,556</u>	<u>3,983</u>		<u>3,983</u>
Total assets		<u>2,980</u>	<u>(227)</u>	<u>2,753</u>	<u>8,437</u>	<u>(422)</u>	<u>8,015</u>	<u>5,169</u>	<u>(492)</u>	<u>4,677</u>
Current liabilities										
Trade and other payables		(1,296)		(1,296)	(1,457)		(1,457)	(1,542)		(1,542)
Accruals and deferred income	(b)	(2,348)	(48)	(2,396)	(4,031)	(46)	(4,077)	(4,092)	(66)	(4,158)
Convertible loan note: current	(d)	–		–	–		–	(411)	(461)	(872)
Derivative financial instruments	(d)	–		–	–		–	–	(140)	(140)
		<u>(3,644)</u>	<u>(48)</u>	<u>(3,692)</u>	<u>(5,488)</u>	<u>(46)</u>	<u>(5,534)</u>	<u>(6,045)</u>	<u>(667)</u>	<u>(6,712)</u>
Net current assets		<u>(1,082)</u>	<u>(48)</u>	<u>(1,130)</u>	<u>2,068</u>	<u>(46)</u>	<u>2,022</u>	<u>(2,062)</u>	<u>(667)</u>	<u>(2,729)</u>
Non-current liabilities										
Convertible loan note: non-current	(d)	–		–	–		–	(536)	536	–
								<u>(536)</u>	<u>536</u>	<u>–</u>
Total liabilities		<u>(3,644)</u>	<u>(48)</u>	<u>(3,692)</u>	<u>(5,488)</u>	<u>(46)</u>	<u>(5,534)</u>	<u>(6,581)</u>	<u>(131)</u>	<u>(6,712)</u>
Net assets		<u>(664)</u>	<u>(275)</u>	<u>(939)</u>	<u>2,949</u>	<u>(468)</u>	<u>2,481</u>	<u>(1,412)</u>	<u>(623)</u>	<u>(2,035)</u>
Equity										
Share capital		–		–	–		–	–		–
Share premium		(5,688)		(5,688)	(11,477)		(11,477)	(11,477)		(11,477)
Other reserves	(c)	–		–	(111)	111	–	(226)	226	–
Retained earnings		6,352	275	6,627	8,639	357	8,996	13,115	397	13,512
Total equity		<u>664</u>	<u>275</u>	<u>939</u>	<u>(2,949)</u>	<u>468</u>	<u>(2,481)</u>	<u>1,412</u>	<u>623</u>	<u>2,035</u>
Profit and loss account										
Revenue		8,181		8,181	11,574		11,574	11,554		11,554
Cost of sales		4,629		4,629	6,673		6,673	6,107		6,107
Gross margin		<u>3,552</u>		<u>3,552</u>	<u>4,901</u>		<u>4,901</u>	<u>5,447</u>		<u>5,447</u>
Administrative expenses	(a), (b)	4,240	193	4,433	7,041	82	7,123	9,842	202	10,044
Operating loss		688	193	881	2,140	82	2,222	4,395	202	4,597
Interest receivable		–		–	(5)		(5)	–		–
Interest payable		37		37	40		40	65		65
Loss before tax		725	193	918	2,175	82	2,257	4,460	202	4,662
Tax		20		20	114		114	15		15
Currency differences		2		2	(2)		(2)	–		–
Loss for the year		<u>747</u>	<u>193</u>	<u>940</u>	<u>2,287</u>	<u>82</u>	<u>2,369</u>	<u>4,475</u>	<u>202</u>	<u>4,677</u>

The opening balance sheet as at 1 January 2011 of this historical financial information can be reconciled to the amounts previously reported under UK GAAP as follows:

	<i>Note</i>	<i>UK GAAP</i> £'000	<i>2010</i> <i>Adjustments</i> £'000	<i>IFRS</i> £'000
Assets				
Non-current assets				
Intangible assets	(a)	63	(63)	–
Tangible fixed assets		186		186
		<u>249</u>	<u>(63)</u>	<u>186</u>
Current assets				
Trade and other receivables		895		895
Cash and cash equivalents		1,279		1,279
		<u>2,174</u>		<u>2,174</u>
Total assets		<u>2,423</u>	<u>(63)</u>	<u>2,360</u>
Current liabilities				
Trade and other payables		(818)		(818)
Accruals and deferred income	(b)	(1,522)	(19)	(1,541)
Convertible loan note: current		(2,340)	(19)	(2,359)
Net current assets		<u>(166)</u>	<u>(19)</u>	<u>(185)</u>
Non-current liabilities				
Convertible loan note: non-current				
Total liabilities		<u>(2,340)</u>	<u>(19)</u>	<u>(2,359)</u>
Net assets		<u>83</u>	<u>(82)</u>	<u>1</u>
Equity				
Share capital				
Share premium		(5,688)		(5,688)
Other reserves				
Retained earnings		5,605	82	5,687
Total equity		<u>(83)</u>	<u>82</u>	<u>(1)</u>

The transition to IFRS has not had any impact on reported cash flows.

Explanatory notes to the reconciliations:

- (a) IAS 38 adjustment to write off previously capitalised intangible software development costs. IFRS is more detailed than UK GAAP about the tests that must be passed in order to capitalise software development costs. In particular it refers to a requirement to have reasonable certainty about the availability of the financial resources necessary in order to complete the relevant development project. In addition it refers to the ability to be able to adequately assess the extent of potential incremental revenues that may be expected to flow from the relevant development project. In both cases there was felt to be significant uncertainty and the directors took the view, having considered the detailed requirements of IAS 38, that no software development costs should be capitalised.
- (b) Three adjustments affect the accruals and administrative expenses lines: IAS 19 requires provision for the cost of accrued holiday pay at each reporting date whereas under UK GAAP no provision is required. IAS 17 requires that any rent free periods or other incentives in respect of property leases be spread over the full term of the lease whereas UK GAAP results in a different treatment. An immaterial accounting error resulted in the cost of share based payments in respect of all three years

being booked as one entry in 2013. This has been corrected as part of the above restatement (2013: charge of £161k, 2012: £nil, 2011: £nil).

- (c) IFRS 2 requires that the credit entry in respect of the cost of share based payments is booked directly to equity. This is the same under UK GAAP. However, in 7digital Group's UK GAAP accounts it has been booked to other reserves; in this consolidated historical financial information it has been reclassified to retained earnings.
- (d) Under UK GAAP, 7digital Group was not required to separately assess the fair value of the convertible loan or any embedded derivative components. Under IFRS it is required to evaluate the fair value of the convertible loan and separate any embedded derivatives requiring separate recognition from the underlying host debt. As such, under IFRS in 2013 an adjustment was made to separate out an embedded derivative with a value of £140,000 relating to the conversion option. The residual £860,000 was deemed to be the fair value of the host debt instrument.

PART V

UNAUDITED PRO FORMA FINANCIAL INFORMATION FOR THE ENLARGED GROUP

The following unaudited pro forma statement of net assets and pro forma income statement of the Enlarged Group have been prepared to show the effect on the consolidated net assets of the Enlarged Group had the acquisition of 7digital and the Placing and the Subscription taken place as at 31 December 2013 and on the income statement of the Enlarged Group as if the Acquisition and the Placing and the Subscription had taken place on 1 January 2013. These tables have been prepared for illustrative purpose only and, because of its nature, may not give a true picture of the financial position or results of UBC and its subsidiary undertakings. The pro forma financial information does not constitute statutory accounts within the meaning of section 434 of the Companies Act, and no adjustments have been made to take into account of events following the balance sheet dates of UBC and 7digital.

UNAUDITED PRO FORMA STATEMENT OF NET ASSETS OF THE ENLARGED GROUP

	(a)	(b)		<i>Adjustments</i>		
	<i>UBC Media Group plc consolidated net assets as at 30 Sep 2013 £'000</i>	<i>7digital Group Inc consolidated net assets as at 31 Dec 2013 £'000</i>	<i>Reverse inter- group loan¹ £'000</i>	<i>Acquisition² £'000</i>	<i>Fundraise³ £'000</i>	<i>Pro forma consolidated net assets £'000</i>
Non-current assets						
Intangible assets and goodwill	1,173	–	–	1,640	–	2,813
Property, plant and equipment	105	694	–	–	–	799
Investments in associate	31	–	–	–	–	31
Derivative financial instrument	552	–	–	–	–	552
	<u>1,861</u>	<u>694</u>	<u>–</u>	<u>1,640</u>	<u>–</u>	<u>4,195</u>
Current assets						
Inventory: work-in-progress	170	–	–	–	–	170
Trade and other receivables	759	2,693	–	–	–	3,452
Cash and cash equivalents	1,824	1,290	(1,000)	–	4,800	6,914
	<u>2,753</u>	<u>3,983</u>	<u>(1,000)</u>	<u>–</u>	<u>4,800</u>	<u>10,536</u>
Total assets	<u>4,614</u>	<u>4,677</u>	<u>(1,000)</u>	<u>1,640</u>	<u>4,800</u>	<u>14,731</u>
Current liabilities						
Trade and other payables	234	1,542	–	–	–	1,776
Accruals and deferred income	249	4,158	–	–	–	4,407
Provisions for liabilities and charges – current	36	–	–	–	–	36
Derivative financial instrument	–	140	(140)	–	–	–
Convertible loan note: current	–	872	(872)	–	–	–
	<u>519</u>	<u>6,712</u>	<u>(1,012)</u>	<u>–</u>	<u>–</u>	<u>6,219</u>
Net current assets/(liabilities)	<u>2,234</u>	<u>(2,729)</u>	<u>12</u>	<u>–</u>	<u>4,800</u>	<u>4,317</u>
Non-current liabilities						
Provisions for liabilities and charges – non-current	–	–	–	–	–	–
Convertible loan note: non-current	–	–	–	–	–	–
Deferred tax liability	235	–	–	–	–	235
	<u>235</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>235</u>
Total liabilities	<u>754</u>	<u>6,712</u>	<u>(1,012)</u>	<u>–</u>	<u>–</u>	<u>6,454</u>
Net assets	<u>3,860</u>	<u>(2,035)</u>	<u>12</u>	<u>1,640</u>	<u>4,800</u>	<u>8,277</u>

Notes:

1. In November 2013, 7digital received a £1 million convertible loan from UBC. 7digital have accounted for this as a host instrument, held at amortised cost, and an embedded derivative. The valuation of the compound embedded derivative was performed at inception of the loan and at each reporting date thereafter. The adjustment strips out these loans amounts. As the loan was made in November, it does not appear in the UBC September balance sheet.
2. The shareholders of UBC will own 25 per cent. of the Enlarged Group (prior to the Placing). As the transaction is a reverse acquisition then the goodwill and intangibles will arise on the difference between the fair value of the net assets and the purchase price. The purchase price is assumed to be 25 per cent. of £22 million, being £5.5 million, therefore the resulting goodwill and intangibles balance is £1.64 million as shown below:

	<i>UBC Media Group plc consolidated net assets as at 30 Sep 2013 £'000</i>
Non-current assets	688
Current assets	2,753
Total assets	3,441
Current liabilities	(519)
Net current assets	2,922
Non-current liabilities	(235)
Net assets	2,687
Purchase Price	5,500
Less: net assets	(2,687)
Intangible assets and goodwill	2,813
Less: existing goodwill	(1,173)
New intangible assets and goodwill	1,640

A fair value exercise has not been undertaken in relation to intangible fixed assets acquired. Intangible fixed assets have been categorised with goodwill for the purposes of the pro forma and therefore no deferred tax has been provided.

3. The Placing and Subscription, assuming full subscription, will have a net effect of £4.8 million with the following assumptions:
 - a. the proceeds of the Placing and Subscription receivable at 27 pence per New Ordinary Share resulting in proceeds of £6 million;
 - b. the cash expenses of the Placing, the Subscription and Acquisition estimated by the Directors at £1.2 million;
 - c. the proceeds of the Imagination Bridge Loan (see paragraph 15.7 of Part VI) of £1 million received by 7digital on 1 May 2014 are not included in the proceeds of £6 million as set out above.
4. Since 31 December 2013, there has been significant change relating to the investment in associate and derivative financial instrument. Both of these items relate to UBC's investment in Audioboo. The derivative financial instrument relates to a convertible loan to Audioboo, and the investment relates to equity funding and subsequent equity accounting of Audioboo. Since the year end the convertible loan has been converted to equity prior to the associate being acquired by a third party, One Delta plc. The consideration was of the form of shares, meaning that UBC currently own 18.7 per cent. of One Delta plc (now renamed Audioboom Group plc).
5. Column (a) relates to the balance sheet of UBC as at 30 September 2013 from their published interim results and referred to in Part III of this document. This has been extracted without adjustments.
6. Column (b) relates to the balance sheet of 7digital as at 31 December 2013 from the historical financial information of 7digital as set out in Part B of Part IV of this document. This has been extracted without adjustments.

UNAUDITED PRO FORMA INCOME STATEMENT

	(a)	(b)	Adjustments		
	<i>UBC Media Group plc consolidated net income statement for the year to 30 Sep 2013</i>	<i>7digital Group Inc consolidated net income statement for the year to 31 Dec 2013</i>	<i>Reverse inter-group loan¹</i>	<i>Transaction costs²</i>	<i>Pro forma consolidated net income</i>
	£'000	£'000	£'000	£'000	£'000
Revenue	3,094	11,554	–	–	14,648
Cost of sales	(2,690)	(6,107)	–	–	(8,797)
Gross profit	404	5,447	–	–	5,851
Administrative expenses	(978)	(10,044)	–	(860)	(11,882)
Operating loss	(574)	(4,597)	–	(860)	(6,031)
Share of results of associate	(609)	–	–	–	(609)
Finance income	50	–	–	–	50
Finance costs	–	(65)	12	–	(53)
Loss before tax	(1,133)	(4,662)	12	(860)	(6,643)
Taxation on continuing operations	47	(15)	–	–	32
Loss from continuing operations	(1,086)	(4,677)	12	(860)	(6,611)
Discontinued operations:					
Loss from discontinued operations	(54)	–	–	–	(54)
Loss for the financial year	(1,140)	(4,677)	12	(860)	(6,665)
Items that may be subsequently reclassified to profit or loss					
Currency translation differences	–	–	–	–	–
Loss for the year attributable to owners of the parent company and total comprehensive income	(1,140)	(4,677)	12	(860)	(6,665)

Notes:

1. Finance costs in 7digital contain interest costs incurred on the £1 million loan from UBC and have been removed on consolidation. Note that there is no interest income relating to the loan in the UBC numbers as the loan was made after the year to 30 September 2013.
2. Professional fees (excluding broker commission) relating to the creation of the Enlarged Group will be £860,000. These are one-off costs.
3. Column (a) represents the consolidated income statement of UBC for the year ended 30 September 2013. UBC numbers have been prepared using the latest prepared accounts which were the interim accounts to September 2013. The figures have been obtained by using the 6 month income statement in the interim accounts to 30 September 2013 and then the full year to 31 March 2013 less the 6 months interim accounts to 30 September 2012. This gives the 12 months income statement to 30 September 2013.
4. Column (b) represents the consolidated income statement of 7digital for the year ended 31 December 2013, extracted, without material adjustment from the historical financial information of 7digital as set out in Part B of Part IV of this document. 7digital prepare their accounts to year end 31 December so their income statement is 12 months to 31 December 2013.

PART VI

ADDITIONAL INFORMATION

1. RESPONSIBILITY STATEMENT

- 1.1 The Company (whose registered number and office appears on page 12), the Directors and the Proposed Directors, whose names and functions appear on page 12, accept responsibility for the information contained in this document including individual and collective responsibility for compliance with the AIM Rules. To the best of the knowledge and belief of the Company, the Directors and Proposed Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document for which they are responsible is in accordance with the facts and there are no other facts the omission of which is likely to affect the import of such information.

2. THE COMPANY, INCORPORATION AND GENERAL

- 2.1 The Company was incorporated and registered in England and Wales, where it remains domiciled, on 28 March 2000 under the name “Futureguard plc” and changed its name to UBC Media Group plc on 2 June 2000.
- 2.2 The liability of the members of the Company is limited.
- 2.3 The Company makes radio programmes and develops software solutions for the broadcast industry.
- 2.4 The principal legislation under which the Company operates is the Act and the regulations made thereunder.
- 2.5 The Company’s registered office is at 50 Lisson Street, London, NW1 5DF. The telephone number of the Company is 020 7453 1600.
- 2.6 The accounting reference date of the Company is 31 March and this will change to 31 December on Admission.

3. SHARE CAPITAL

- 3.1 The Company’s shares are in registered form and are capable of transfer in both certificated form and uncertificated form. The register of members for the Company will be maintained by the Company’s registrars, Capita Asset Services of The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU.
- 3.2 The Company currently has an authorised share capital of £4,000,000, divided into 400,000,000 ordinary shares of 1p each. If the Company adopts the New Articles, as proposed in the Notice, the Company will not have an authorised share capital, as is permitted under the Act.
- 3.3 On 1 April 2010 being the first day of the period required to be disclosed in this document, the authorised share capital of the Company was £4,000,000 divided into 400,000,000 Ordinary Shares and the issued share capital of the Company was £1,952,862.12, divided into 195,286,212 Ordinary Shares.
- 3.4 On 25 January 2011 the Company bought back 16,524,040 Ordinary Shares into treasury.
- 3.5 On the 8 June 2012, as part of a consolidation of the Company’s interest in Audioboo, the Company transferred 13,580,811 Ordinary shares out of treasury to Imagination, sold 2,943,299 Ordinary Shares out of treasury to Imagination, and issued 3,000,000 new Ordinary Shares to Imagination.
- 3.6 On 15 February 2013 the Company bought back 2,946,004 Ordinary Shares into treasury.
- 3.7 On 19 April 2013 the Company issued 8,333,333 new Ordinary Shares to Imagination.

- 3.8 On 2 May 2013 the Company sold 250,000 out of treasury to satisfy the exercise of employee share options.
- 3.9 On 9 July 2013 the Company bought back 5,000,000 Ordinary Shares into treasury.
- 3.10 On 23 July 2013 the Company bought back 1,345,306 Ordinary Shares into treasury.
- 3.11 On Admission, the New Ordinary Shares, the Vendor Consideration Shares, the Imagination Shares, the Subscription Shares and the Placing Shares, will rank *pari passu* in all respects.
- 3.12 The provisions of Section 561 of the Act (which confer on shareholders rights of pre-emption in respect of the allotment of equity securities which are, or are to be, paid up in cash other than by way of allotment to employees under an employees' share scheme (as defined in Section 1166 of the Act) will apply to the share capital of the Company to the extent not disapplied by a special resolution of the Company.
- 3.13 As at 19 May 2014 (the latest practicable date prior to the date of this document), the issued and fully paid share capital of the Company was as follows:

	<i>Number</i>	<i>Nominal Value (£)</i>
Ordinary Shares	206,619,545	0.01

- 3.14 The issued share capital of the Company immediately following Admission will be as follows:

	<i>Number</i>	<i>Nominal Value (£)</i>
Issued and Fully Paid New Ordinary Shares	108,326,340	0.10

- 3.15 Save as disclosed in paragraph 14 of this Part VI, the Company has not issued any convertible loan notes.
- 3.16 The ISIN for the Ordinary Shares admitted to trading on AIM is GB0009021063.
- 3.17 The ISIN for the New Ordinary Shares to be admitted to trading on AIM is GB00BMH46555.
- 3.18 Save for 9,041,310 Ordinary Shares which are held in treasury, there are no Ordinary Shares in the Company which are held by, or on behalf of, the Company and none of the Company's subsidiary undertakings holds any shares in the Company.
- 3.19 The Company intends (subject to approval from its Shareholders at the General Meeting) to adopt the Employee Share Scheme under which it proposes to issue, in due course, New Ordinary Shares to employees, directors and consultants.
- 3.20 Save as disclosed in this document:
- 3.20.1 no share capital of the Company or of any member of the Enlarged Group is under option or has been agreed conditionally or unconditionally to be put under option;
- 3.20.2 no share or loan capital of the Company has been issued or is now proposed to be issued, fully or partly paid, either for cash or for a consideration other than cash;
- 3.20.3 no commission, discount, brokerage or any other special term has been granted by the Company or is now proposed in connection with the issue or sale of any part of the share or loan capital of the Company;
- 3.20.4 no persons have preferential subscription rights in respect of any share or loan capital of the Company or any subsidiary; and
- 3.20.5 since 1 April 2010, no amount or benefit has been paid or is to be paid or given to any promoter of the Company.
- 3.21 There are no listed or unlisted securities issued by the Company not representing share capital.

4. SUBSIDIARY UNDERTAKINGS

4.1 The Company currently has six subsidiary undertakings, the details of which are as follows:

<i>Company</i>	<i>Country of Incorporation</i>	<i>Principal Activity</i>	<i>Shareholder</i>	<i>Per cent of ownership interest</i>	<i>Per cent of voting power</i>
Unique Interactive Limited (formerly Cliq Radio Limited)	England	Holder of Intellectual Property	UBC Media Group plc	100%	100%
Smooth Operations (Productions) Limited	England	Media Production Company	UBC Media Group plc	100%	100%
The New Unique Broadcasting Company Limited	England	Software and Media Production Company	UBC Media Group plc	100%	100%
Lisson Street (Properties) Limited	England	Dormant	UBC Media Group plc	100%	100%
UBC Interactive Limited	England	Dormant	The New Unique Broadcasting Company Limited	100%	100%
OneWord Radio Limited	England	Dormant	The New Unique Broadcasting Company Limited	100%	100%
7digital Acquisition, Inc.	USA State of Delaware	Dormant	UBC Media Group plc	100%	100%

4.2 7digital currently has four subsidiary undertakings, the details of which are as follows:

<i>Company</i>	<i>Country of Incorporation</i>	<i>Principal Activity</i>	<i>Shareholder</i>	<i>Per cent of ownership interest</i>	<i>Per cent of voting power</i>
7digital, Inc.	USA, Delaware	Provision of digital media	7digital Group, Inc.	100%	100%
7digital Limited	England	Provision of digital media	7digital Group, Inc.	100%	100%
7digital Europe Sarl	Luxembourg	Retail sales	7digital Limited	100%	100%
SD Music Stores Limited	England	Provision of digital media	7digital Limited	100%	100%

5. EXISTING ARTICLES AND NEW ARTICLES OF ASSOCIATION AND OTHER RELEVANT LAWS AND REGULATIONS

Below is a summary of the principal provisions of the New Articles proposed to be adopted by special resolution at the General Meeting, proposed at resolution 7 in the Notice. A copy of the Existing Articles can

be found on UBC's website www.ubcmmedia.com. The major differences between the Existing Articles and the New Articles can be found in paragraph 5.32.

5.1 *Objects*

The New Articles contain no specific restriction on the Company's objects and therefore, by virtue of section 31(1) of the Act, the Company's objects are unlimited.

5.2 *General meetings*

5.2.1 Subject to the provisions of the Act, annual general meetings shall be held at such time and place as the Board may determine.

5.2.2 The Board may convene a general meeting whenever it thinks fit. A general meeting shall also be convened by the Board on a member's requisition in accordance with sections 303 and 304 of the Act or, in default, may be convened by the members requisitioning such meeting in accordance with section 305 of the Act. At any general meeting convened no business shall be transacted except that proposed by the Board or by the members (as the case may be).

5.2.3 A general meeting of the Company (other than an adjourned meeting) shall be called by notice of:

- (a) in the case of an annual general meeting, at least 21 clear days; and
- (b) in any other case, at least 14 clear days.

5.2.4 Subject to the provisions of the Act, and notwithstanding that it is convened by shorter notice than that specified in paragraph 5.2.3 above, a general meeting shall be deemed to have been duly convened if it is so agreed:

- (a) in the case of an annual general meeting, by all the members entitled to attend and vote at the meeting; and
- (b) in the case of any other general meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority who together hold not less than 95 per cent. in nominal value of the shares giving that right (excluding any shares in the Company held as treasury shares).

5.2.5 The accidental failure to give notice of general meeting or, in cases where it is intended that it be sent out with the notice, an instrument of proxy, or to give notice of a resolution intended to be moved at a general meeting to, or the non-receipt of any of them by, any person or persons entitled to receive the same shall not invalidate the proceedings at that meeting and shall be disregarded for the purpose of determining whether the notice of the meeting, instrument of proxy or resolution were duly given.

5.2.6 No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business but the absence of a quorum shall not preclude the choice or appointment of a Chairman which shall not be treated as part of the business of the meeting. Subject to the provisions of the articles on "Class meetings" and "If quorum not present", two persons entitled to attend and to vote on the business to be transacted, each being a member present in person or a proxy for a member, shall be a quorum save that if at any time the Company only has one member, one person entitled to attend and to vote or a proxy for such sole member, shall be a quorum.

5.2.7 The Board may direct that members or proxies or duly authorised representatives wishing to attend any general meeting should submit to such searches or other security arrangements or restrictions as the Board shall consider appropriate in the circumstances and shall be entitled in its absolute discretion to refuse entry to such general meeting to any member,

proxy or duly authorised representative who fails to submit to such searches or otherwise to comply with such security arrangements or restrictions.

- 5.2.8 The Chairman of the Board shall preside as Chairman at every general meeting of the Company. If there is no such Chairman or if at any meeting he shall not be present within 15 minutes after the time appointed for holding the meeting or shall be unwilling to act as Chairman, the Deputy Chairman (if any) shall, if present and willing to act, preside as Chairman at such meeting. If no Chairman or Deputy Chairman shall be so present and willing to act, the directors present shall choose one of their number to act or, if there be only one director present, he shall be Chairman if willing to act. If no director is willing to act as Chairman of the meeting or, if no director is present within 15 minutes of the time appointed for holding the meeting, a member or a proxy for a member may be elected to be the Chairman of such meeting by ordinary resolution of the Company passed at the meeting.
- 5.2.9 A director shall notwithstanding that he is not a member be entitled to attend and speak at any general meeting and at any separate meeting of the holders of any class of shares of the Company.
- 5.2.10 In the case of an equality of votes, whether on a show of hands or on a poll, the Chairman of the meeting at which the show of hands takes place or at which the poll was demanded shall not be entitled to a second or casting vote in addition to any other vote that he may have.

5.3 *Voting rights*

- 5.3.1 At any general meeting a resolution put to a vote of the meeting shall be decided on a show of hands unless (before or immediately after the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is duly demanded.
- 5.3.2 On a vote on a resolution on a show of hands, where a proxy is appointed by more than one member (provided that, where only some of those members by whom the proxy is appointed instruct the proxy to vote in a particular way, those members all instruct such proxy to vote in the same way on a resolution (either “for” or “against”)) such proxy shall be entitled to cast a second vote the other way in relation to any discretionary vote(s) given to him by other members by whom such proxy is appointed.

5.4 *Suspension of rights*

- 5.4.1 If a member, or any other person appearing to be interested in shares held by that member, has been issued with a section 793 notice and has failed in relation to any shares to give the Company the information thereby required within the prescribed period from the date of service of the section 793 notice, or, in purported compliance with such notice, has made a statement which is false or inadequate in a material particular, then the Board may, at least 14 days after service of the section 793 notice, serve on the holder of such default shares a notice (a “disenfranchisement notice”) whereupon the member shall not with effect from the service of the disenfranchisement notice be entitled in respect of the default shares to be present or to vote (either in person or proxy) at any general meeting of the Company or at any separate meeting of the holders of any class of shares of the Company or on any poll or to exercise any other right conferred by membership in relation to any such meeting or poll.
- 5.4.2 No member shall be entitled to receive any dividend or to be present and vote at any general meeting either personally or (save as proxy for another member) by proxy, or be reckoned in a quorum or to exercise any other privilege as a member unless and until he shall have paid all calls for the time being due and payable on every share held by him, whether alone or jointly with any other person, together with interest and expenses (if any).

5.5 *Redemption of own shares*

Subject to the provisions of the Act and to any special rights for the time being attached to any existing shares, any share may be issued which is, or at the option of the Company or of the holder of such share, liable to be redeemed.

5.6 *Variation of rights*

Subject to the provisions of the Act, if at any time the share capital of the Company is divided into shares of different classes, any of the rights for the time being attached to any share or class of shares in the Company (and notwithstanding that the Company may be or be about to be in liquidation) may (unless otherwise provided by the terms of issue of the shares of that class) be varied or abrogated in such manner (if any) as may be provided by such rights or, in the absence of any such provision, either with the consent in writing of the holders of not less than three quarters in nominal value of the issued shares of the class or with the sanction of a special resolution passed at a separate general meeting of the holders of shares of the class duly convened and held as provided in the New Articles (but not otherwise).

5.7 *Classes of share*

The share capital of the Company is currently made up of Ordinary Shares. The New Ordinary Shares all rank *pari passu* and are all voting shares and benefit from all of the rights attaching to those shares contained within the New Articles. The Company has the power to issue redeemable shares. The Board may determine the terms, conditions and manner of redemption of any redeemable shares.

5.8 *Transfer of shares*

5.8.1 Each member may transfer all or any of his shares, in the case of certificated shares, by instrument of transfer in writing in any usual form or in any form approved by the Board, or, in the case of uncertificated shares, without a written instrument in accordance with the Regulations. Any written instrument shall be executed by or on behalf of the transferor and (in the case of a transfer of a share which is not fully paid up) by or on behalf of the transferee. The transferor shall be deemed to remain the holder of such share until the name of the transferee is entered in the register in respect of it.

5.8.2 If the Board refuses to register a transfer of a share it shall, within two months after the date on which the transfer was lodged with the Company, send notice of the refusal to the transferee together with its reasons for the refusal. Any instrument of transfer which the Board refuses to register shall (except in the case of suspected fraud) be returned to the person depositing it. All instruments of transfer which are registered may be retained by the Company.

5.9 *Uncertificated shares*

The Board shall register a transfer of title to any uncertificated share or the renunciation or transfer of any renounceable right of allotment of a share which is a Participating Security held in uncertificated form in accordance with the Regulations, except that the Board may refuse (subject to any relevant requirements applicable to the recognised investment exchange(s) to which the shares of the Company are admitted (or to any other stock exchange on which the Company's shares are normally traded)) to register any such transfer or renunciation which is in favour of more than four persons jointly or in any other circumstance permitted by the Regulations.

5.10 *Certificated shares*

The Board may in its absolute discretion refuse to register any transfer of a certificated share unless it is:

- (a) in respect of a share which is fully paid up;
- (b) in respect of a share on which the Company has no lien;

- (c) in respect of only one class of shares;
- (d) in favour of a single transferee or not more than four joint transferees;
- (e) duly stamped (if so required); and
- (f) delivered for registration to the registered office of the Company, or such other place as the Board may from time to time determine, accompanied (except in the case of a transfer by a financial institution where a certificate has not been issued) by the certificate for the shares to which it relates and such other evidence as the Board may reasonably require to prove the title of the transferor and the due execution by him of the transfer or if the transfer is executed by some other person on his behalf, the authority of that person to do so,

provided that such discretion may not be exercised in such a way as to prevent dealings in such shares from taking place on an open and proper basis.

5.11 *Allotment of shares*

Subject to the provisions of the Act and to any relevant authority of the Company in general meeting, unissued shares at the date of adoption of the New Articles and any shares hereafter created shall be at the disposal of the Board which may allot (with or without conferring rights of renunciation), grant options over, offer or otherwise deal with or dispose of them, or grant rights to subscribe for or convert any security into shares, to such persons (including the directors themselves), at such times and generally on such terms and conditions as the Board may decide, provided that no share shall be issued at a discount.

5.12 *Dividends and other distributions*

- 5.12.1 Subject to the provisions of the Act and of the New Articles, the Company may by ordinary resolution declare that out of profits available for distribution dividends be paid to members according to their respective rights and interests in the profits of the Company available for distribution. However, no dividend shall exceed the amount recommended by the Board.
- 5.12.2 Except as otherwise provided by the New Articles and by the rights attached to shares, all dividends shall be declared and paid according to the amounts paid up (otherwise than in advance of calls) on the shares on which the dividend is paid. Subject as aforesaid, all dividends shall be apportioned and paid *pro rata* according to the amounts paid up or credited as paid up on the shares during any portion or portions of the period in respect of which the dividend is paid but if any share is issued on terms providing that it shall rank for dividend as from a particular date or be entitled to dividends declared after a particular date it shall rank for or be entitled to dividends accordingly.
- 5.12.3 The Board may deduct from any dividend or other money payable to any member on or in respect of a share all such sums as may be due from him to the Company on account of calls or otherwise in relation to the shares of the Company.
- 5.12.4 The Company in general meeting may, on the recommendation of the Board, by ordinary resolution direct that payment of any dividend declared may be satisfied wholly or partly by the distribution of assets, and in particular, of fully paid up shares or debentures of any other company or in any one or more of such ways. Where any difficulty arises in regard to such distribution the Board may settle it as it thinks fit.
- 5.12.5 If cheques, warrants or orders for dividends or other sums payable in respect of a share sent by the Company to the person entitled thereto by post are returned to the Company undelivered or left uncashed on two consecutive occasions the Company shall not be obliged to send any further dividends or other moneys payable in respect of that share due to that person until he notifies the Company of an address to be used for the purpose.

5.12.6 All dividends, interest or other sum payable and unclaimed for 12 months after having become payable may be invested or otherwise made use of by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends unclaimed for a period of 12 years after having become due for payment shall (if the Board so resolves) be forfeited and shall revert to the Company.

5.13 *Appointment of directors*

5.13.1 Unless and until otherwise determined by the Company by ordinary resolution the number of directors (other than any alternate directors) shall be not less than two or more than 10.

5.13.2 Subject to the provisions of the Articles and to the Act, the Company may by ordinary resolution appoint a person who is willing to act to be a director, either to fill a vacancy, or as an addition to the existing Board, and may also determine the rotation in which any additional directors are to retire, but the total number of directors shall not exceed any maximum number fixed in accordance with the New Articles.

5.13.3 Without prejudice to the power of the Company to appoint any person to be a director pursuant to the New Articles, the Board shall, subject to the provisions of the Act, have power at any time to appoint any person who is willing to act as a director, either to fill a vacancy or as an addition to the existing Board, but the total number of directors shall not exceed any maximum number fixed in accordance with the New Articles. Any director so appointed shall hold office only until the annual general meeting of the Company next following such appointment and shall then be eligible for re-election but shall not be taken into account in determining the number of directors who are to retire by rotation at that meeting. If not re-appointed at such annual general meeting, he shall vacate office at that meeting in accordance with provisions on the timing of retirement set out in the article on "Timing of retirement".

5.13.4 The Board shall appoint any Chairman, joint Chairman or Deputy Chairman of the Board and shall determine the period for which he is or they are to hold office and may at any time remove him or them from office.

5.13.5 Subject to the provisions of the Act, the directors may appoint one or more of their number to any office or employment under the Company (including, but without limitation, that of Chief Executive, Managing Director or Joint Managing Director but not including that of auditor).

5.14 *Remuneration of directors*

5.14.1 The directors (other than alternate directors) shall be entitled to receive by way of fees for their services as directors such sum as the Board may from time to time determine (not exceeding £150,000 per annum or such other sum as the Company in general meeting shall from time to time determine). Such sum (unless otherwise directed by the resolution of the Company by which it is voted) shall be divided among the directors in such proportions and in such manner as the Board may determine or in default of such determination, equally (except that in such event any director holding office for less than the whole of the relevant period in respect of which the fees are paid shall only rank in such division in proportion to the time during such period for which he holds office). Any fees payable pursuant to this paragraph 5.14.1 shall be distinct from any salary, remuneration or other amounts payable to a director pursuant to any other provisions of the New Articles and shall accrue from day to day.

5.14.2 The salary or remuneration of any director appointed to hold any employment or executive office may be either a fixed sum of money or may altogether or in part be governed by business done or profits made or otherwise determined by the Board and may be in addition to or in lieu of any fee payable to him for his services as director pursuant to the Articles.

- 5.14.3 Each director shall be entitled to be repaid all reasonable travelling, hotel and other expenses properly incurred by him in or about the performance of his duties as director, including any expenses incurred in attending meetings of the Board or any committee of the Board or general meetings or separate meetings of the holders of any class of shares or of debentures of the Company.
- 5.14.4 If, by arrangement with the Board, any director shall perform or render any special duties or services outside his ordinary duties as a director and not in his capacity as a holder of employment or executive office, he may be paid such reasonable additional remuneration (whether by way of a lump sum or by way of salary, commission, participation in profits or otherwise) as the Board may from time to time determine.
- 5.14.5 The Board may exercise all the powers of the Company to provide pensions or other retirement or superannuation benefits and to provide death or disability benefits or other allowances or gratuities (whether by insurance or otherwise) for or to institute and maintain any institution, association, society, club, trust, other establishment or profit sharing, share incentive, share purchase or employees' share scheme calculated to advance the interests of the Company or to benefit any person who is or has at any time been a director of the Company or any company which is a subsidiary company of or allied to or associated with the Company or any such subsidiary or any predecessor in business of the Company or of any such subsidiary and for any member of his family (including a spouse or former spouse or civil partner or former civil partner) and any person who is or was dependent on him.

5.15 Retirement and removal of directors

- 5.15.1 Any director appointed by the Board after the first annual general meeting of the Company shall retire at the annual general meeting of the Company next following his appointment.
- 5.15.2 Any non-executive director who has held office for nine years or more since his first appointment by general meeting shall retire at each subsequent annual general meeting of the Company.
- 5.15.3 At any annual general meeting of the Company, any director who has not been appointed or re-appointed at either of the two previous annual general meetings of the Company shall retire.
- 5.15.4 If, at any annual general meeting of the Company, the number of directors required to retire pursuant to paragraph 5.15.3 above is less than one third of the total number of directors calculated in accordance with paragraph 5.15.5 below (rounded down to the nearest whole number (the "Relevant Proportion")), such number of additional directors ("Additional Directors") as is required (when taken together with the directors required to retire pursuant to paragraph 5.15.5 below to constitute the Relevant Proportion) shall retire at such annual general meeting of the Company. Subject to the penultimate sentence of the article on "Removal by ordinary resolution", the Additional Directors to retire shall be those who have been the longest to have held office since their appointment or re-appointment but, as between persons who were appointed or were last appointed or re-appointed directors on the same day, those to retire shall (unless otherwise agreed between them) be determined by lot.
- 5.15.5 In calculating the "total number of directors" for the purposes of paragraph 5.15.4, any director who:
- (i) wishes to retire and not be re-elected; or
 - (ii) is subject to re-election in accordance with paragraphs 5.15.1 and 5.15.2, shall be disregarded.
- 5.15.6 The Company may by ordinary resolution (of which special notice has been given in accordance with section 312 of the Act) remove any director before the expiration of his period of office notwithstanding anything in the New Articles or in any agreement between

the Company and such director and, without prejudice to any claim for damages which he may have for breach of any contract of service between him and the Company, may (subject to the Articles and the provisions of the Act) by ordinary resolution (of which special notice has been given in accordance with section 312 of the Act) appoint another person at that meeting who is willing to act to be a director in his place. Any person so appointed shall be treated, for the purposes of determining the time at which he or any other director is to retire by rotation, as if he had become a director on the day on which the person in whose place he is appointed was last appointed or re-appointed a director. In default of such appointment the vacancy arising upon the removal of a director from office may be filled by a casual vacancy.

5.16 *Directors' interests and conflicts*

5.16.1 If a Relevant Situation arises, the directors may, subject to paragraph 5.16.2 below, resolve to authorise any matter which relates to the Relevant Situation, including, without limitation, the continuing performance by the Conflicted Director of his duties and the acceptance of, or continuation in any office, employment or position in addition to that of his office as a director.

5.16.2 Any authorisation under paragraph 5.16.1 above shall be effective only if:

- (a) any requirement as to the quorum at any meeting of the directors at which the matter is considered is met without counting either the Conflicted Director or any other interested director; and
- (b) the matter, office, employment or position was agreed to and any relevant resolution was passed without counting the votes of the Conflicted Director and without counting the votes of any other interested director (or such matter would have been so agreed and such relevant resolution would have been so passed if their votes had not been counted); and
- (c) the Conflicted Director has disclosed in writing all material particulars of the matter, office, employment or position which relates to the Relevant Situation which could reasonably be expected to influence the decision of the Independent Directors as to whether to authorise such matter, office, employment or position which relates to the Relevant Situation and the continuing performance of the Conflicted Director of his duties and/or the terms of such authorisation.

5.16.3 Provided it is permitted by the Act and provided he has disclosed to the Board the nature and extent of his interest in accordance with the article on "Disclosure of interests to Board" a director, notwithstanding his office:

- (a) may be a party to, or otherwise interested in any contract, arrangement, transaction or proposal with the Company or in which the Company is otherwise interested, either in regard to his tenure of any office or place of profit or as vendor, purchaser or otherwise;
- (b) may hold any other office or place of profit under the Company (except that of auditor or of auditor of a subsidiary of the Company) in addition to the office of director and may act by himself or through his firm in a professional capacity for the Company and in any such case on such terms as to remuneration and otherwise as the remuneration committee may arrange either in addition to or in lieu of any remuneration provided for by any other article;
- (c) may be a member of or a director or other officer of, or employed by, or a party to any transaction or arrangement with or otherwise interested in, any body corporate promoted by or promoting the Company or in which the Company is otherwise interested or as regards which the Company has any powers of appointment;

- (d) shall not, by reason of his office, be liable to account to the Company for any dividend, profit, remuneration, superannuation payment or other benefit which he derives from:
 - (i) any matter, office, employment or position which relates to a Relevant Situation authorised in accordance with the New Articles; or
 - (ii) any office, employment, contract, arrangement, transaction or proposal or other interest permitted pursuant to paragraphs (a) to (c) (inclusive) of this paragraph 5.16.3,

and no contract, arrangement, transaction or proposal shall be avoided on the grounds of any director having any such interest or receiving any such dividend, profit, remuneration, superannuation, payment or other benefit authorised in accordance with article 119 (board authorisation of conflicts of interest) or permitted pursuant to paragraphs (a) to (c) (inclusive) of this paragraph 5.16.3 and the receipt of any such dividend, profit, remuneration, superannuation, payment or other benefit so authorised or permitted shall not constitute a breach of the duty not to accept benefits from third parties as set out in section 176 of the Act.

5.16.4 Save as provided in this paragraph 5.16.4, a director shall not vote on or be counted in the quorum in relation to any resolution of the Board or of a committee of the Board concerning any transaction or arrangement with the Company in which he has an interest which may reasonably be regarded as likely to give rise to a conflict of interest, unless the resolution relates to one of the matters set out in the following sub-paragraphs in which case (subject to the terms of any authorisation granted pursuant to paragraphs 5.16.1 and 5.16.2 above he shall be entitled to vote and be counted in the quorum:

- (a) the giving to him of any guarantee, security or indemnity in respect of money lent or obligations incurred by him at the request of or for the benefit of the Company or any of its subsidiary undertakings;
- (b) the giving to a third party of any guarantee, security or indemnity in respect of a debt or obligation of the Company or any of its subsidiary undertakings for which he himself has assumed responsibility in whole or in part either alone or jointly with others, under a guarantee or indemnity or by the giving of security;
- (c) where the Company or any of its subsidiary undertakings is offering securities in which offer the director is or may be entitled to participate as a holder of securities or in the underwriting or sub-underwriting of which the director is to participate;
- (d) relating to another company in which he and any persons connected with him do not to his knowledge hold an interest in shares (as that term is used in sections 820 to 825 (inclusive) of the Act) representing 1 per cent. or more of either any class of the equity share capital, or the voting rights, in such company;
- (e) relating to an arrangement for the benefit of the employees of the Company or any of its subsidiary undertakings which does not award him any privilege or benefit not generally awarded to the employees to whom such arrangement relates;
- (f) concerning insurance which the Company proposes to maintain or purchase for the benefit of directors or for the benefit of persons including directors;
- (g) the funding of expenditure by one or more directors in defending proceedings against him or them or doing anything to enable such director(s) to avoid incurring such expenditure provided that such funding is consistent with, or no more beneficial to him than the provisions of the New Articles (and provided always such funding is permitted pursuant to the provisions of the Act); or

- (h) the giving of an indemnity or indemnities in favour of one or more directors which is/are consistent with, or no more beneficial to him than any such indemnities provided pursuant the New Articles (and provided always such indemnities are permitted pursuant to the provisions of the Act).

5.16.5 If any question arises at any meeting of the Board or any committee of the Board as to whether an interest of a director (other than the Chairman's interest) shall reasonably be regarded as likely to give rise to a conflict of interest or as to the entitlement of any director (other than the Chairman) to vote or be counted in a quorum and such question is not resolved by his voluntarily agreeing to abstain from voting or being counted in the quorum such question (unless the director concerned is the Chairman in which case article 125 (Director's resolution conclusive on Chairman's interest) shall apply) shall before the conclusion of the meeting be referred to the Chairman of the meeting. The Chairman's ruling in relation to the director concerned shall be final and conclusive except in a case where the nature or extent of the interest of the director has not been fairly disclosed.

5.17 *Powers of the directors*

5.17.1 Subject to the provisions of the Act, the memorandum of association of the Company and the New Articles and to any directions given by special resolution of the Company, the business of the Company shall be managed by the Board, which may exercise all the powers of the Company whether relating to the management of the business or not. No alteration of the memorandum of association, or of the New Articles and no such direction given by the Company shall invalidate any prior act of the Board which would have been valid if such alteration had not been made or such direction had not been given. Provisions contained elsewhere in the Articles as to any specific power of the Board shall not be deemed to limit the general powers given by this article.

5.17.2 Subject as provided in the New Articles and to the provisions of the Act, the directors may exercise all the powers of the Company to borrow money, to guarantee, to indemnify and to mortgage or charge its undertaking, property, assets (present and future) and uncalled capital or any part or parts thereof and to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

5.17.3 The Board shall restrict the borrowings of the Company and exercise all voting and other rights and powers of control exercisable by the Company in respect of its subsidiary undertakings so as to secure (and as regards its subsidiary undertakings in so far as it can secure by such exercise) that the aggregate principal amount at any one time outstanding in respect of moneys borrowed by the group (exclusive of moneys borrowed by one group company from another and after deducting cash deposited) shall not at any time without the previous sanction of an ordinary resolution of the Company exceed the greater of £100,000,000 and an amount equal to three times the adjusted capital and reserves.

5.18 *Distribution of assets on a winding up*

If the Company is wound up, the surplus assets remaining after payment of all creditors are to be divided among the members in proportion to the capital which at the commencement of the winding up is paid up on the shares held by them respectively and, if such surplus assets are insufficient to repay the whole of the paid up capital, they are to be distributed so that as nearly as may be the losses are borne by the members in proportion to the capital paid up at the commencement of the winding up on the shares held by them respectively. This paragraph 5.18 is subject to the rights attached to any shares which may be issued on special terms or conditions.

Other points to note in relation to the New Articles:

5.19 The provisions of section 561 of the Act (which confer on shareholders rights of pre-emption in respect of the allotment of equity securities which are, or are to be, paid up in cash other than by way

of allotment to employees under an employee's share scheme as defined in section 1166 of the Act) will apply to the extent not disappplied by a special resolution of the Company.

- 5.20 As set out in section 284(2) of the Act, on a vote on a resolution on a show of hands at a meeting, each member present in person and entitled to vote has one vote.
- 5.21 As set out in section 285(1) of the Act, on a vote on a resolution on a show of hands at a meeting, every proxy present who has been duly appointed by one or more members entitled to vote on the resolution has one vote.
- 5.22 As set out in section 284(3) of the Act, on a poll taken at a meeting of the Company, each member present in person and entitled to vote has one vote for every share which he holds.
- 5.23 As set out in section 285(3) of the Act, on a poll taken at a meeting of a company all or any of the voting rights of a member may be exercised by one or more duly appointed proxies.
- 5.24 As set out in section 285(4) of the Act, where a member appoints more than one proxy, section 285(2) of the Act does not authorise the exercise by the proxies taken together of more extensive voting rights than could be exercised by the member in person.
- 5.25 There is nothing contained in the New Articles which would have an effect of delaying, deferring or preventing a change in control of the Company.
- 5.26 There is nothing contained in the New Articles which governs the ownership threshold above which member ownership must be disclosed.
- 5.27 There are no conditions in the New Articles governing changes in capital which are more stringent than is required by law.
- 5.28 Under the Act, companies no longer require enabling provisions in their articles in order to: (i) alter the share capital; (ii) reduce the share capital; and (iii) purchase their own shares. The New Articles do not therefore contain such provisions.
- 5.29 Save as set out above, there are no provisions in the New Articles or otherwise which give any person enhanced rights in the Company's profits.
- 5.30 There are no conversion rights attached to any of the shares in the Company pursuant to the New Articles or otherwise.
- 5.31 The following defined terms in the summary above shall have the following meanings (as set out in the New Articles):
 - 5.31.1 "Conflicted Director" means (in relation to a Relevant Situation) a director who has made a submission for authorisation in respect of that Relevant Situation;
 - 5.31.2 "Independent Directors" means, in relation to paragraphs 5.16.1 and 5.16.2 of this Part VI) the directors, other than the Conflicted Director and any other director(s) interested in the Relevant Situation;
 - 5.31.3 "Participating Security" means a share or class of shares or a renounceable right of allotment of a share, title to which is permitted to be transferred by means of an Uncertificated System in accordance with the Uncertificated Regulations;
 - 5.31.4 "Relevant Situation" means a situation in which a director has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the interests of the Company (including, without limitation, in relation to the exploitation of any property, information or opportunity, whether or not the Company could take advantage of it); and
 - 5.31.5 "Uncertificated System" means a relevant system (as such is defined in the CREST Regulations).

5.32 *Major Differences between the Existing Articles and the New Articles*

The major differences between the Existing Articles and the New Articles are as follows:

- 5.32.1 The New Ordinary Shares have a nominal value of 10 pence each.
- 5.32.2 The right of the Board to suspend registration of transfers of shares for up to 30 days in each year is removed.
- 5.32.3 The New Articles prohibit registration of transfers of shares to minors, bankrupts or mentally disordered persons.
- 5.32.4 The required notice for calling an annual general meeting is extended from 14 to 21 clear days.
- 5.32.5 Communication to shareholders by electronic means is permitted.
- 5.32.6 The fixing of directors fees at a general meeting is deemed not to be special business.
- 5.32.7 The results of poll votes at general meetings of the Company shall be published on its website.
- 5.32.8 The Chairman will no longer have a casting vote at general meetings, in the event of equal votes cast.
- 5.32.9 The role of President of the Company disappears.
- 5.32.10 The maximum number of directors goes down from 12 to 10
- 5.32.11 There are additional grounds on which a director shall be removed from office:
 - (i) Conviction of an indictable offence.
 - (ii) He is subject to an investigation by the Secretary of State or the Serious Fraud Office; and
 - (iii) He is in breach of his service contract and notice is given to terminate it.
- 5.32.12 The maximum fee for acting as a director (other than under a service contract) increases from £20,000 to £150,000.
- 5.32.13 The limit on the Directors' power to commit the Company to borrowing without the approval of the members is decreased from five times Adjusted Capital and Reserves to the higher of £100,000,000 or three times Adjusted Capital and Reserves.
- 5.32.14 The directors' duty of independent judgement can be waived by the New Articles.
- 5.32.15 The Company can provide funds to directors and directors of holding companies in relation to defending proceedings or for the purpose of enabling them to properly perform his duties.

5.33 *Other relevant laws and regulations*

5.33.1 *Disclosure of interests in shares*

A shareholder in a public company incorporated in the UK whose shares are admitted to trading on AIM is required pursuant to rule 5 of the Disclosure and Transparency Rules to notify the company of the percentage of his voting rights if the percentage of voting rights which he holds as a shareholder or through his direct or indirect holding of financial instruments reaches, exceeds or falls below certain thresholds.

Pursuant to Part 22 of the Act and the New Articles, the Company is empowered by notice in writing to require any person whom the Company knows, or has reasonable cause to believe to be or, at any time during the three years immediately preceding the date on which the notice is issued, within a reasonable time to disclose to the Company particulars of any interests, rights, agreements or arrangements affecting any of the shares held by that person or in which such other person as aforesaid is interested.

5.33.2 Takeovers

As a public limited company incorporated and centrally managed and controlled in the UK, the Company is subject to the City Code. Following the implementation of Part 28 of the Act the Takeover Panel has statutory powers to enforce the City Code in respect of companies whose shares are admitted to trading on AIM.

Under Rule 9 of the City Code, a person who acquires, whether by a single transaction or by a series of transactions over a period of time, shares which (taken with shares held or acquired or acquired by persons acting in concert with him) carry 30 per cent. or more of the voting rights of a company, such person is normally required to make a general offer to all shareholders of that company at not less than the highest price paid by him or them or any persons acting in concert during the offer period and in the 12 months prior to its commencement.

Further, pursuant to sections 979 to 982 of the Act, where the offeror has by way of a takeover offer as defined in section 974 of the Act acquired or unconditionally contracted to acquire not less than 90 per cent. in value of the shares to which an offer relates and where the shares to which the offer relates represent not less than 90 per cent. of the voting rights in the company to which the offer relates, the offeror may give a compulsory acquisition notice, to the holder of any shares to which the offer relates which the offeror has not acquired or unconditionally contracted to acquire and which he wishes to acquire and is entitled to so acquire, to acquire those shares on the same terms as the general offer.

Pursuant to sections 983 to 985 of the Act, where an offeror makes a takeover offer as defined by section 974 of the Act and, by virtue of acceptances of the offer and any other acquisitions holds not less than 90 per cent. of the shares in the target (or if the offer relates to a class of shares 90 per cent. of the shares in that class) and which carry not less than 90 per cent. of the voting rights in the target then a minority shareholder may require the offeror to acquire his shares in the target.

6. DIRECTORS' AND PROPOSED DIRECTORS' INTERESTS

- 6.1 The interests of each of the Directors and the Proposed Directors in the ordinary share capital of the Company (all of which are beneficial) which have been or will be required to be notified to the Company pursuant to Section 5 of the Disclosure and Transparency Rules which will be required to be maintained under the provisions of Section 808 of the Act, or which are interests of a person connected with any of the Directors or Proposed Directors (within the meaning of Section 252 of the Act, which interests would be required to be disclosed pursuant to the Disclosure and Transparency Rules), and the existence of which is known to the Directors and the Proposed Directors or could with reasonable diligence be ascertained by them as at 19 May 2014 (being the last practicable date prior to the publication of this document) and as at Admission are as set out below:

Name	As at the date of this document		Following the Share Consolidation		As at Admission	
	Ordinary Shares	% of Existing Total Voting Rights	Ordinary Shares	% of Existing Total Voting Rights	Ordinary Shares	% of Enlarged Total Voting Rights
Simon Cole ¹	21,575,064	10.8	2,157,506	10.8	2,194,544	2.0
Tim Blackmore ²	20,080,857	10.2	2,008,085	10.2	2,008,085	1.9
Paul Pascoe ³	9,676,919	4.9	967,691	4.9	967,691	0.9
Kelvin Harrison	123,118	0.1	12,311	0.1	12,311	0.01
Chris Dent	–	–	–	–	37,038	0.03
Sir Donald Cruickshank	–	–	–	–	–	–
Ben Drury	–	–	–	–	12,766,903	11.9
Eric Cohen	–	–	–	–	–	–
Sir Hossein Yassaie	–	–	–	–	–	–

Notes:

1. Of the Ordinary Shares shown as held by Simon Cole, 17,680,064 (1,768,006 New Ordinary Shares) are registered under the name of HSBC Global Custody Nominee (UK) Limited and 3,040,000 (304,000 New Ordinary Shares) are registered under the name Brewin 1762 Nominees Limited.
2. Of the Ordinary Shares shown as beneficially held by Tim Blackmore, 3,344,226 (334,422 New Ordinary Shares) are registered in the name of his wife Margaret Blackmore.
3. Of the Ordinary Shares shown as beneficially held by Paul Pascoe 8,548,714 (854,871 New Ordinary Shares) are registered under the name of Huntress (CI) Nominees and are shares with which Paul Pascoe is connected.

These figures relating to the percentage of the Enlarged Total Voting Rights as at Admission are based upon the assumption that all of the New Ordinary Shares are subscribed for under the Placing and the Subscription.

- 6.2 Imagination, of which Sir Hossein Yassaie is a director, has an option over the unissued share capital of the Company, as described in paragraph 14.10 of this Part VI and has made a loan to the Company of £100,000, convertible into new shares in the Company at the Placing Price as described in paragraph 14.19 of this Part VI.
- 6.3 Save as disclosed in this document, none of the Directors or Proposed Directors has or will have any interests in the ordinary share capital or loan capital of the Company following Admission nor does any person connected with the Directors or Proposed Directors (within the meaning of Section 252 of the Act) have any such interest whether beneficial or non-beneficial.
- 6.4 Save as disclosed in this document, none of the Directors or Proposed Directors is or has been interested in any transaction which is or was unusual in its nature or conditions or significant to the business of the Company and which was effected by the Company and remains in any respect outstanding or unperformed.
- 6.5 There are no outstanding loans made or guarantees granted or provided by any member of the Enlarged Group to or for the benefit of any Director or Proposed Director nor are there any loans or guarantees provided by any Directors or Proposed Directors for any member of the Enlarged Group.
- 6.6 There is no Director nor member of a Director's family who has a related financial product (as defined in the AIM Rules) referenced to the Ordinary Shares.
- 6.7 Save as disclosed in this document, no Director or Proposed Director has or has had any interest, whether direct or indirect in any assets which have been acquired by, disposed of by, or leased to, any member of the Enlarged Group or which are proposed to be acquired by disposed of by, or leased to, any member of the Enlarged Group.

7. SUBSTANTIAL SHAREHOLDERS

- 7.1 As at 19 May 2014 (being the last practicable date prior to the date of this document) and as at Admission, save as set out below, the Company was not aware of any person, who, directly or indirectly, had an interest representing 3 per cent. or more of the issued ordinary share capital (being the threshold at or above which, in accordance with the provisions of Section 5 of the Disclosure and Transparency Rules, any interest must be disclosed by the Company).

<i>Name</i>	<i>As at the date of this document</i>		<i>Following the Share Consolidation</i>		<i>As at Admission</i>	
	<i>Ordinary Shares</i>	<i>%</i>	<i>Ordinary Shares</i>	<i>%</i>	<i>Ordinary Shares</i>	<i>%</i>
DC Thomson & Co Imagination Technologies Limited	33,207,838	16.8	3,320,783	16.8	7,394,857	6.9
Simon Cole ¹	27,857,373	14.1	2,785,737	14.1	18,377,132	17.1
Tim Blackmore ²	21,575,064	10.9	2,157,506	10.9	2,194,544	2.0
	20,080,857	10.2	2,008,085	10.2	2,008,085	1.9

<i>Name</i>	<i>As at the date of this document</i>		<i>Following the Share Consolidation</i>		<i>As at Admission</i>	
			<i>New</i>		<i>New</i>	
	<i>Ordinary Shares</i>	<i>%</i>	<i>Ordinary Shares</i>	<i>%</i>	<i>Ordinary Shares</i>	<i>%</i>
Liontrust Asset Management	15,523,756	7.9	1,552,375	7.9	9,811,634	9.1
Miton Capital Partners Limited	9,925,000	5.0	992,500	5.0	3,770,278	3.5
Paul Pascoe ³	9,676,919	4.9	967,691	4.9	967,691	0.90
Ben Drury	–	–	–	–	12,766,903	11.9
Goodmans	–	–	–	–	21,975,330	20.5
Dolby International AB	–	–	–	–	4,094,708	3.8
James Kane	–	–	–	–	8,523,607	7.9

Notes:

1. Of the Ordinary Shares shown as held by Simon Cole, 17,680,064 (1,768,006 New Ordinary Shares) are registered under the name of HSBC Global Custody Nominee (UK) Limited and 3,040,000 (304,000 New Ordinary Shares) are registered under the name Brewin 1762 Nominees Limited.
2. Of the Ordinary Shares shown as beneficially held by Tim Blackmore, 3,344,226 (334,422 New Ordinary Shares) are registered in the name of his wife Margaret Blackmore.
3. Of the Ordinary Shares shown as beneficially held by Paul Pascoe 8,548,714 (854,871 New Ordinary Shares) are registered under the name of Huntress (CI) Nominees and are shares with which Paul Pascoe is connected.

These figures relating to the percentage of the Enlarged Total Voting Rights as at Admission are based upon the assumption that all of the New Ordinary Shares are subscribed for under the Placing and the Subscription.

- 7.2 Save as disclosed in this document and in particular paragraph 6.1, the Directors and the Proposed Directors are not aware of any person who directly, or indirectly, jointly or severally, exercises or could exercise control over the Company.
- 7.3 The Company's shareholders listed in paragraph 7.1 of this Part VI do not have voting rights, preferential to other holders of ordinary shares.
- 7.4 Save as disclosed in this document, the Directors are not aware of any arrangements in place or under negotiation which may, at a subsequent date, result in a change of control of the Company.

8. ADDITIONAL INFORMATION ON THE DIRECTORS AND PROPOSED DIRECTORS

- 8.1 Other than directorships of the Company, the Directors and the Proposed Directors have held the following directorships or been partners in the following partnerships within the five years prior to the date of this document:

<i>Name</i>	<i>Current Directorships and Partnerships</i>	<i>Past Directorships and Partnerships</i>
Timothy John Blackmore	Oneword Radio Limited Smooth Operations (Productions) Limited The New Unique Broadcasting Company Limited	Global Traffic Network (UK) Commercial Limited UBC Media Group Trustees Limited United Radio Productions Ltd.

<i>Name</i>	<i>Current Directorships and Partnerships</i>	<i>Past Directorships and Partnerships</i>
Simon Andrew Cole	UBC Digital Limited 3 Pembridge Crescent Limited Unique Interactive Limited Oneword Radio Limited Smooth Operations (Productions) Limited Lisson Street (Properties) Limited Central School of Ballet Charitable Trust Limited (The) Audioboo Limited The New Unique Broadcasting Company Limited Radio Independents Group Calmwater Yacht Management Limited	MXR Holdings Limited MXR Limited UK Digital Radio Limited 4 Digital Group Limited Above The Title Limited
John Christopher Stewart Dent	Lisson Street (Properties) Limited Smooth Operations (Productions) Limited The New Unique Broadcasting Company Limited UBC Digital Limited UBC Interactive Limited Unique Interactive Limited Audioboo Limited*	Unique Facilities Limited
Kelvin Frank Harrison	Alderslade Limited JEE Limited Warwick Ventures Limited Innovative Green Technologies Limited Netdespatch Limited Asset Central (Europe) Limited Advanced Laser Imaging Limited	Azur Business Solutions Limited AH 1 Limited M2 Systems Limited Maxima Information Group Limited Minerva Industrial Systems Limited Castleton Technology Holdings Limited Maxima Business Solutions Limited Ringwood Group Limited Ringwood Software Limited Trove Software Limited Redcentric MS Limited QED Business Systems Limited Cognition Solutions Limited Cognition Support Services Limited Seventhree Limited Centric Networks Limited DXI Networks Limited Hotchilli Internet Limited
Paul Henry Barron Pascoe	Golfads (UK) Limited Global Securities Limited Dacre Property Consultants Ltd Unique Television Limited Uctal Limited BCA Productions Limited Umtal Limited	

<i>Name</i>	<i>Current Directorships and Partnerships</i>	<i>Past Directorships and Partnerships</i>
Sir Gordon Donald Cruickshank	Audioboo Limited* Qualcomm Incorporated	Marie Curie Cancer Cure
Benjamin Charles Drury	7digital Group, Inc. 7digital, Inc. SD Music Stores Limited 7digital Limited Entertainment Retailers Association SD Music Stores Limited Intercede Group plc	The Official UK Charts Company Limited
Eric Cohen	7digital Group, Inc. Genie International Holdings Limited Dolby Laboratories, Inc., a California corporation Dolby Laboratories International Services, Inc. Dolby Laboratories Licensing Corporation Via Licensing Corporation Eighth Nerve Inc. STEP Labs, Inc. Dolby Australia Holding Pty Limited Dolby Australia Pty Limited Dolby Laboratories Electronics (Shanghai) Co., Ltd. Dolby Middle East FZ LLC Dolby Technology India Private Limited Dolby Japan K.K. Dolby Poland S.P.z.o.o. Dolby Singapore PTE LTD. Dolby Sweden AB Dolby Europe Limited	Eastfield No.30 Limited Dolby Cinema Monitoring, Inc. Cinea, Inc. Dolby Services Limited SV Corporation Pty Limited IMM Sound, S.A. B-Side Media S.L. Yblod AB Dolby Canada Corporation Dolby Canada, Inc. Dolby Iberia, S.L.
Sir Hossein Yassaie	Imagination Technologies Limited Metagence Technologies Limited Imagination Technologies Group plc Powervr Technologies Limited Videologic Systems Limited Ensigma Technologies Limited Cross Products Limited Pure Digital Limited Bristol Interactive Technology Limited Aahoo Limited Hellosoft Limited Toumaz Group plc	

* By the time of Admission, the Directors will have resigned their directorships of Audioboo Limited.

- 8.2 Paul Pascoe was a director of Unique Group Limited. On 19 June 2006, a receiver was appointed over the assets of Unique Group Limited. Paul Pascoe resigned on 13 November 2006. On 11 October 2007 Unique Group Limited went into liquidation. Tim Blackmore was a director of United Radio Productions Limited when it was dissolved in October 2009 via a voluntary strike off.

- 8.3 Save as disclosed in paragraph 8.2, none of the Directors has:
- 8.3.1 any unspent convictions in relation to indictable offences;
 - 8.3.2 had any bankruptcy order made against him or entered into any voluntary arrangements;
 - 8.3.3 been a director of a company which has been placed in receivership, compulsory liquidation, administration, been subject to a voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors, whilst he was a director of that company or within the 12 months after he had ceased to be a director of that company;
 - 8.3.4 been a partner in any partnership which has been placed in compulsory liquidation, administration or been the subject of a partnership voluntary arrangement, whilst he was a partner in that partnership or within the 12 months after he ceased to be a partner in that partnership;
 - 8.3.5 been the owner or any asset which has been placed in receivership or a partner in any partnership which has been placed in receivership whilst he was a partner in that partnership or within the 12 months after he ceased to be a partner in that partnership;
 - 8.3.6 been publicly criticised by any statutory or regulatory authority (including recognised professional bodies); or
 - 8.3.7 been disqualified by a court from acting as a director of any company or from acting in the management or conduct of the affairs of a company.
- 8.4 Save as disclosed in this document, there are no actual or potential conflicts of interest between any duties to the Company of the Directors or Proposed Directors and their private interests or their other duties.
- 8.5 Save as disclosed in this document, no Director or Proposed Director has or has had any interest in any transaction which is or was significant in relation to the business of the Company and which was effected during the current or immediately preceding financial period or which was effected during an earlier financial period and remains outstanding or unperformed.

9. DIRECTORS AND OTHER SHARE DEALINGS

Save as disclosed elsewhere in this document, no Director or Proposed Director or recent director has dealt in the shares or any other securities in the Company.

10. DIRECTORS' AND PROPOSED DIRECTORS' SERVICE CONTRACTS AND REMUNERATION

- 10.1 Save as disclosed below, there are no service agreements or letters of appointment, existing or proposed between any Director or Proposed Director and the Company that have been entered into or varied within six months prior to the date of this Agreement. Save as disclosed below, there are no existing or proposed service agreements or letters of appointment between the Company and any of the Directors or Proposed Directors which do not expire or are not determinable by the Company without payment of compensation within 12 months immediately preceding the date of this document.

10.1.1 Simon Cole

It is proposed that on completion Simon will enter into a service agreement with the Company pursuant to which his appointment as Chief Executive Officer will be confirmed. The agreement is terminable on not less than 12 months' written notice given by either party to the other, the agreement contains provisions for early termination, *inter alia*, if Simon breaches any material term of the agreement. The basic salary payable to Simon is £150,000 per annum. This is to be reviewed annually without any obligation to increase it. In addition, Simon is entitled to private medical insurance, death in service insurance and to participate in the Group

personal pension scheme. The service agreement contains restrictive covenants for a period of six months following the termination of his employment.

10.1.2 *Chris Dent*

It is proposed that on completion Chris will enter into a service agreement with the Company pursuant to which his appointment as Chief Financial Officer will be confirmed. The agreement is terminable on not less than six months' written notice by either party to the other, and the Agreement contains provisions for early termination, *inter alia*, if he breaches any material term of the agreement. The basic salary payable to Chris is £105,000 per annum, rising to £110,000 as of 1 January 2015. This is to be reviewed annually without any obligation to increase it. In addition, Chris is entitled to private medical insurance, death in service benefit and to participate in the Group personal pension scheme. The service agreement contains restrictive covenants for a period of six months following termination of his employment.

10.1.3 *Ben Drury*

It is proposed that on completion Ben will enter into a service agreement with the Company pursuant to which his appointment as Chief Strategy Officer will be confirmed. The agreement is terminable on not less than six months' written notice by either party to the other. The agreement contains provisions for early termination, *inter alia*, if Ben breaches any material term of the agreement. The basic salary payable to Ben is £133,900 per annum. This is to be reviewed annually without any obligation to increase it. In addition, Ben is entitled to private medical insurance, death in service benefit, income protection cover and to participate in the Group personal pension scheme. The service agreement contains restrictive covenants for a period of six months following the termination of his employment.

10.1.4 *Paul Pascoe*

On 26 September 2013, Paul entered into a non-executive letter of appointment with the Company pursuant to which his appointment as non-executive director was confirmed. His appointment is terminable without notice. The fee payable to Paul is £25,000 per annum. Upon the termination of his appointment, he will not have any contractual right to compensation or damages, but dependent on the details of his work with the Company, he may have statutory rights to compensation.

10.1.5 *Tim Blackmore*

On 26 September 2013, Tim entered into a non-executive letter of appointment with the Company pursuant to which his appointment as a non-executive director was confirmed. His appointment is terminable by either party without notice. The fee payable to Tim is £19,828 per annum. Upon the termination of his appointment, he will not have any contractual right to compensation or damages, but dependent on the details of his work with the Company, he may have statutory rights to compensation.

10.1.6 *Kelvin Harrison*

On 27 January 2014, Kelvin entered into a non-executive letter of appointment with the Company pursuant to which his appointment as a Non-Executive Director was confirmed. His appointment is terminable without notice by either party. The fee payable to Kelvin is £19,828 per annum. Upon the termination of his appointment, he will not have any contractual right to compensation or damages, but dependent on the details of his work with the Company, he may have statutory rights to compensation.

10.1.7 *Sir Donald Gordon Cruickshank*

It is proposed that on Admission Sir Donald will enter into a letter of appointment with the Company pursuant to which his appointment as Non Executive Chairman will be confirmed. His appointment will be for an initial term of twelve months and is terminable without notice.

The fee payable to Sir Donald is £50,000 per annum, to be satisfied by the issue of New Ordinary Shares pursuant to the Employee Share Scheme. Upon the termination of his appointment, he will not have any contractual right to compensation or damages, but dependent on the details of his work with the Company, he may have statutory rights to compensation.

10.1.8 *Sir Hossein Yassaie*

It is proposed that on Admission Sir Hossein will enter into a letter of appointment with the Company pursuant to which his appointment as Non Executive Director will be confirmed. His appointment will be for an initial term of twelve months and is terminable without notice. The fee payable to Sir Hossein is £25,000 per annum, to be satisfied by the issue of New Ordinary Shares pursuant to the Employee Share Scheme. Upon the termination of his appointment, he will not have any contractual right to compensation or damages, but dependent on the details of his work with the Company, he may have statutory rights to compensation.

10.1.9 *Eric Cohen*

It is proposed that on Admission Eric will enter into a letter of appointment with the Company pursuant to which his appointment as Non Executive Director will be confirmed. His appointment will be for an initial term of twelve months and is terminable without notice. The fee payable to Eric is £25,000 per annum, to be satisfied by the issue of New Ordinary Shares pursuant to the Employee Share Scheme. Upon the termination of his appointment, he will not have any contractual right to compensation or damages, but dependent on the details of his work with the Company, he may have statutory rights to compensation.

- 10.2 The total aggregate remuneration payable to the Directors and Proposed Directors by the Company under the arrangements in force at the date of this document in respect of the financial year ending 31 March 2015 (assuming Paul Pascoe, Tim Blackmore and Kelvin Harrison resign on Admission), is estimated to be approximately £500,000 excluding benefits and any VAT payable thereon.

11. EMPLOYEES

- 11.1 As at the date of this document, the Group has an estimated 37 employees and 12 independent contractors and the Enlarged Group will have an estimated 130 employees, and 16 independent contractors.
- 11.2 It is anticipated that following Admission the Enlarged Group will retain current employee levels and will look to increase the level of employees in line with the anticipated growth of the Enlarged Group.

12. PRINCIPAL ESTABLISHMENTS

- 12.1 The Company's head office, principal place of business and principal establishment is at 50 Lisson Street, London, NW1 5DF.
- 12.2 The registered office and principal establishments of the Group companies are at 50 Lisson Street, London, NW1 5DF.
- 12.3 From Admission, the principal place of business for the Enlarged Group will be 69 Wilson Street, London, EC2A 2BB.

13. MIDDLE MARKET QUOTATIONS

- 13.1 The following table shows the closing middle market quotation for the Existing Shares as derived from the London Stock Exchange Daily Official List on the first day of dealing of each month from June 2013 to November 2013, being the six months prior to the Ordinary Shares being suspended, and

25 November 2013, being the last business day preceding the suspension of trading in the Ordinary Shares on AIM:

<i>Date</i>	<i>Price (p)</i>
3 June 2013	2.25
1 July 2013	2.25
1 August 2013	2.38
2 September 2013	4.38
1 October 2013	3.13
1 November 2013	5.00
25 November 2013	6.25

14. MATERIAL CONTRACTS OF UBC AND ITS SUBSIDIARIES

The only contracts, not being contracts entered into in the ordinary course of business, which have been entered into by any member of the Group (i) within the two years immediately preceding the date of this document and are, or may be material to the Group; or (ii) which contain any provision under which the Company or any of its subsidiaries has any obligation or entitlement which is or may be material to the Group as at the date of this document:-

14.1 *Engagement Letter with finnCap*

Pursuant to an engagement letter dated 14 January 2014, and a subsequent side letter dated 16 May 2014, finnCap has agreed to act as the Company's nominated adviser, joint broker and financial adviser in connection with the Proposals. By a side letter dated 16 May 2014 finnCap's engagement as broker was varied to permit joint engagement with Investec, and to divide the commission equally between them.

The Company has agreed to pay finnCap the following remuneration: (i) a corporate finance fee of £180,000, payable in monthly instalments of £20,000 from the date of the engagement letter and (ii) a commission of 2.5 per cent. on the aggregate value of the Placing Shares subscribed for by investors introduced by finnCap and Investec, (subject to certain specified investors being excluded), payable on Admission. The Company will also pay certain other costs and expenses (including any applicable VAT) of, or incidental to, finnCap's appointment, including the fees and disbursements of finnCap's legal advisers.

This engagement letter and the side letter are supplemental to the engagement letter between finnCap and the Company dated 16 December 2011.

14.2 *Engagement Letter with Investec*

Pursuant to an agreement dated 13 May 2014 between the Company and Investec, Investec has agreed to act as the Company's joint broker. The Company has agreed to pay Investec a commission of 2.5 per cent. on the aggregate value of the Placing Shares subscribed for by investors introduced by finnCap and Investec, (subject to certain specified investors being excluded), payable on Admission. The Company will also pay certain other costs and expenses incurred by Investec in the course of carrying out its duties, including the costs of its legal advisors.

14.3 *Merger Agreement*

The Merger Agreement dated 20 May 2014 between (1) the Company, (2) 7digital Acquisition, (3) 7digital and (4) the Indemnitors' Representative. Under the Merger Agreement, 7digital Acquisition will merge with and into 7digital with 7digital being the surviving company and a wholly owned subsidiary of the Company, by way of a Delaware reverse triangular merger ("**Merger**"). The Merger Agreement is conditional, among other conditions, upon Admission being approved and is governed by Delaware law.

- (i) Under the terms of the Merger Agreement:
 - i. shares held by the Vendors in 7digital shall be converted into the right to receive 24.208 New Ordinary Shares for each share of common stock or preferred stock in 7digital, resulting in such Vendors owning upon Completion of the Merger and before issue of the Placing Shares, 75 per cent. of the fully diluted share capital of the Enlarged Group.
 - ii. a third of the Vendor Consideration Shares, taken from those otherwise to be issued to the Main Vendors, will be held in escrow by the escrow agent referred to below to satisfy any claims against the Vendors made under the Merger Agreement.
 - iii. the Company will change its name to 7digital Group plc and will establish an equity incentive plan which will enable the Company to grant options over up to 15 per cent. of the Company's Enlarged Issued Share Capital.
- (b) The Merger Agreement contains representations and warranties from the Company to 7digital and from 7digital to the Company, with respect to each group's respective organisation, authority and operations, among other things.
- (c) Subject to the limitations set out below, the Main Vendors agree in the Merger Agreement and Contribution Agreement (referred to below) to indemnify the Company *pro rata* their holdings for damages arising out of breaches or defaults in connection with representations and warranties given by 7digital and the Main Vendors under the terms and conditions contained in the Merger Agreement. The Vendors other than the Main Vendors agree to indemnify the Company for breaches of their individual representatives and warranties.
- (d) The liability of the Company, 7digital and the Main Vendors is limited (save as a result of fraud) and no claims may be made unless damages in respect of any matter exceed £25,000, and until the aggregate amount of damages exceeds £100,000. Once the £100,000 is reached the indemnified party is entitled to compensation for the full amount of losses and not just the excess above the £100,000 minimum.
- (e) The liability of the Main Vendors under the Merger Agreement is generally capped (in the absence of fraud) at one third of the Vendor Consideration Shares. The representations and warranties survive for a period of two years following the closing date of the Merger except in relation to certain fundamental representations of 7digital which relate to matters such as organisation, capitalisation, authority and taxes, among others, and fundamental representations of the Main Vendors which relate to ownership by the Main Vendors of their shares which survive for six years after the closing date of the Merger and are not limited by the limitations set out in (d).
- (f) Under the Delaware General Corporation Law, holders of 7digital Common Stock and 7digital Series A Preferred Stock (collectively, "7digital Stock") have the right to receive an appraisal of the fair value of their shares of 7digital Stock in connection with the Merger. To exercise appraisal rights, a holder of 7digital stock must comply with applicable requirements of Delaware law.

14.4 *The Escrow Agreement*

The Escrow Agreement dated 20 May 2014 and made between (1) the Company, (2) Benjamin Drury as the Indemnitors' Representative and (3) Capita Trust Company Limited ("**Agent**") which provides conditional, upon Admission, that the Agent is appointed to hold certain of the Vendor Consideration Shares ("**Escrow Shares**") on trust for the Main Vendors to secure the obligations of such Main Vendors under the Merger Agreement and the Power of Attorney, Representation and Contribution Agreement ("**Contribution Agreement**") (referred to below) ("**Escrow Shares**"). The Escrow Agreement provides that any dividends payable in respect of the Escrow Shares belong to the Main Vendors and that the Agent must exercise voting rights in relation to the Escrow Shares as directed in writing by the Main Vendors. If a claim under the Merger Agreement or the Contribution Agreement has not been notified to the Agent within twelve months after completion of the Merger Agreement

then 50 per cent. of the Escrow Shares deposited with the Agent will be released to the relevant Main Vendors. If a claim has not been notified to the Agent within two years after completion of the Merger Agreement the balance of the Escrow Shares shall be released to the respective Main Vendors. The Escrow Agreement provides that if any Escrow Shares are retained and the parties to it agree or a Court determines that the shares should be returned to the Company, then the Agent shall sell and the Company shall buy such number of Escrow Shares as are sufficient to satisfy the Main Vendors' liability for the aggregate sum of £1 in respect of each such sale and purchase. Any buyback of Escrow Shares by the Company is conditional upon the Company having the necessary authority to buy back the Escrow Shares. Such authority is sought by Resolution 5 set out in the Notice.

14.5 **Contribution Agreement**

Power of Attorney, Representation and Contribution Agreement dated 20 May 2014 and made between (1) the Main Vendors, (2), the Indemnitors' Representative (3), the Company, (4) 7digital Acquisition Inc, and (5) 7digital Group Inc, pursuant to which each Main Vendor agrees to indemnify the Company for any losses arising as a result of a breach of such Main Vendors' obligations under the Merger Agreement. Under this Agreement, the Main Vendors appoint the Indemnitors' Representative to act on their behalf in relation to the Merger Agreement and the Escrow Agreement and give certain representations to the Company.

14.6 **Placing Agreement**

Under the Placing Agreement dated 20 May 2014, finnCap and Investec have agreed (conditionally, *inter alia*, on Admission taking place no later than 8.00 a.m. on 10 June 2014 (or such later date as the Company, finnCap and Investec may agree, being in any event not later than 8.00 a.m. on 30 June 2014)) as agents for the Company to procure subscribers for the Placing Shares at the Placing Price

Under the Placing Agreement and subject to it becoming unconditional, the Company has agreed to pay finnCap a corporate finance fee of £180,000 and to pay a 5 per cent. placing commission, to be split equally between finnCap and Investec.

The Company will pay certain other costs and expenses (including any applicable VAT) of, or incidental to, the Placing, including all fees and expenses payable in connection with Admission, the expenses of the Company's registrar, printing and advertising expenses, postage and all other legal, accounting and other professional fees and expenses.

The Placing Agreement contains warranties and indemnities given by the Company and certain Directors and warranties given by the other Directors and Proposed Directors to finnCap and Investec as to the accuracy of the information contained in this document and other matters relating to the Company, 7digital and their respective businesses. finnCap and Investec are entitled to terminate the Placing Agreement in certain specified circumstances prior to Admission.

14.7 **Audioboo Acquisition Agreement**

The acquisition agreement relating to Audioboo sets out the terms and conditional purchase by One Delta plc ("**One Delta**") of the entire issued share capital of Audioboo in consideration for the allotment and issue, credited as fully paid up, of ordinary shares in One Delta ("**One Delta Shares**").

The Audioboo Agreement is conditional *inter alia* upon:-

- (a) the passing of certain resolutions of One Delta in the notice of extraordinary general meeting of One Delta;
- (b) obtaining all necessary consents and authorisations from AIM and the Jersey Financial Services Commission; and
- (c) the admission of the enlarged share capital of One Delta to trading on AIM.

One Delta has the ability to terminate the Audioboo Acquisition Agreement prior to its completion (“**Audioboo Completion**”) if there shall have occurred a material breach by the vendors of Audioboo (“**Audioboo Vendors**”) (or any of them), including a material breach of any warranty or pre-completion undertaking, upon the occurrence of any event which would result in a material breach of the warranties upon their repetition at Audioboo Completion, or upon the occurrence of certain other adverse events in respect of Audioboo, provided that any such event or events have or is likely to have a material adverse effect on Audioboo.

All of the Audioboo Vendors have given warranties to One Delta regarding their title to the Audioboo shares and their ability to effectively transfer them to One Delta. The Company, Slovar Limited, Robert Proctor and Sir Donald Cruickshank have also given warranties to One Delta in relation to the business and affairs of Audioboo.

The Audioboo Acquisition Agreement includes an undertaking from the Company that it will not for a period of six months following admission of One Delta shares: dispose of any One Delta shares save in limited circumstances including in connection with a takeover offer, to give irrevocable undertakings to accept an offer and to sell to an offeror or potential offeror who has been named in an announcement pursuant to the City Code, pursuant to a court order, or to satisfy (in whole or in part) any of its liability for a claim under the Audioboo Acquisition Agreement. The Company has further undertaken not for a period of a further 12 months from the date of admission of the One Delta Shares to dispose of any One Delta shares other than with the prior written approval of Arden Partners plc, not to be unreasonably withheld or delayed and, subject to certain other conditions, otherwise than through Arden Partners plc or such other person as may be the broker to One Delta from time to time.

14.8 *Letter of Irrevocable Undertaking*

On 11 April 2014, in consideration for One Delta agreeing to make a loan of £150,000 to Audioboo, UBC irrevocably and unconditionally undertook as follows:-

- (a) not to sell, grant any option or create any encumbrance over, any of its ordinary shares in Audioboo until 5.30 p.m. on 8 June 2014 (“**Relevant Period**”);
- (b) to enter into a sale and purchase agreement with One Delta for the sale of such shares substantially on the terms of the Audioboo acquisition agreement summarised above;
- (c) to use reasonable endeavours to procure that other shareholders of Audioboo enter into the Audioboo acquisition agreement before expiry of the Relevant Period; and
- (d) not to take any action inconsistent with the undertakings and confirmations given in the Letter of Irrevocable Undertaking.

14.9 *Loan agreement between The New Unique Broadcasting Company Limited and Beyond Content Limited*

Pursuant to a loan agreement dated 11 September 2012 between The New Unique Broadcasting Company Limited (“**Unique**”) and Beyond Content Limited (“**BCL**”), Unique made a loan of £300,000 available to BCL. The loan is secured by a legal charge entered into by S D Leavesley and H K Leavesley over the leasehold property known as Flat 15, Monarch Point, Lensbury Avenue, London SW6 2HW and a personal guarantee by S D Leavesley in relation to any interest due under the loan and any fees, costs and expenses which may be incurred in the enforcement of the security. The loan is repayable in eight quarterly instalments (or earlier at the discretion of BCL) which commenced in December 2012. The loan is provided on an interest-free basis, although Unique has the right, but not the obligation, to charge interest at a rate of the higher of 6 per cent. per annum or 4 per cent. per annum over the base rate of HSBC Bank plc. The agreement is governed by English law.

14.10 *Share option agreement in relation to Imagination*

The Company entered into an option agreement on 19 April 2013 with Imagination under the terms of which, in consideration of the payment of £1, the Company granted to Imagination the right to purchase at any time prior to 19 April 2015 up to 3,169,010 Ordinary Shares. Exercise of the said option is conditional upon the satisfaction by Imagination of certain agreed conditions. As at the date hereof, the said option has not been exercised.

14.11 *Facility agreement between RWL and The New Unique Broadcasting Company Limited (“Unique”)*

Unique entered into a loan agreement with Russiateleradio Worldwide Limited (“RWL”), an English company, on 1 August 2013, to provide a loan facility of up to £147,000. This agreement was made pursuant to a licence agreement between the parties by which RWL agreed to provide to Unique enhanced versions of six archive films. Repayment of the facility was due by 31 January 2014, and can be made, at the option of Unique, by delivery of the successive enhanced versions of the films.

The full amount was loaned to RWL of which 50 per cent. has since been repaid by delivery of three films. This facility was secured by assignments of rights in the original and enhanced film recordings. The facility carries interest at 0.3 per cent. per year over the Bank of England base rate, increasing by 4 per cent. if there is a default. The agreement is governed by English law.

RTW has agreed verbally with Unique that it will deliver the remaining enhanced films by 7 July 2014, and the Company will, if the Acquisition, the Placing and the Subscription proceeds, provide a loan of £20,000 to RTW to assist it to do this.

14.12 *Deeds of assignments by RWL to Unique*

RWL has made five deeds of assignment in favour of Unique all dated 1 August 2013, by which RWL assigned to Unique the copyright in number of original archive films and any digitally re-mastered versions copies of them produced or to be produced by RWL, as security for loans outstanding under the facility agreement above. The assignments are governed by English law.

14.13 *Termination of share option agreement*

Pursuant to an agreement entered into between Unique and Steven Leavesley and dated 11 September 2012, Mr Leavesley surrendered all rights attached to share option agreements in his favour to purchase 500,000 Ordinary Shares for nil consideration in return for the surrender by the Company of all rights to profits generated by the business undertaken by Beyond Content Limited during the employment of Mr Leavesley as an employee of the Company. The agreement is governed by English law.

14.14 *Variation agreement between Broadchart International Limited, the Company, Broadchart Limited and I Like Music Limited in relation to a loan agreement and a commercial agreement*

Pursuant to an agreement entered into between Broadchart International Limited, the Company, Broadchart Limited and I Like Music Limited and dated 22 November 2012, the parties agreed to amend certain terms of (i) a loan agreement dated 26 November 2010 and entered into between the Company and Broadchart International Limited under which the Company loaned Broadchart International Limited £400,000 and (ii) a commercial agreement dated 26 November 2010 and entered into between all of the parties in relation to the development, exploitation and promotion of certain music within markets throughout the United Kingdom. The variations concerned certain definitions and repayment provisions in the loan agreement and certain agency and term provisions in the commercial agreement. The variation agreement is governed by English law.

14.15 *Share purchase agreement between the Company and Imagination*

Pursuant to an agreement entered into between the Company and Imagination and dated 8 June 2012, Imagination acquired 13,580,811 Ordinary Shares (at the time held as treasury shares) for a total consideration of £271,616.23, satisfied in full by the release and discharge of certain debts owed by the Company to Imagination. The agreement contains warranties from the Company to Imagination

customary for agreements of this nature, is not assignable by either party and is governed by English law.

14.16 *Convertible loan agreement between Audioboo and the Company*

Pursuant to an agreement entered into between Audioboo and the Company in September 2013, the Company provided a loan of £26,589 to Audioboo, repayable in whole or in part at any time at the option of Audioboo. The loan is part of a total loan of £431,969 made by the Company to Audioboo which, pursuant to the agreement, is repayable in whole or in part at the option of the Company. Audioboo may at any time request further loans which, if made, shall be governed by the terms of this agreement. At any time after 20 September 2013 while any sums are owed by Audioboo to the Company, the Company may elect that all or part of the amounts outstanding are converted into A ordinary shares of £0.01 each in the capital of Audioboo, the conversion rate being determined by the success of fundraising efforts in the period from the date of the agreement up to the date of conversion on a sliding scale, ranging from a share price of £0.25 to £2. The loan carries interest at a rate of 4 per cent. per annum above the base rate of the Bank of England. The agreement contains covenants by each party to the other customary for agreements of this nature and is governed by English law.

14.17 *Deed of novation between Imagination, Unique and the Company*

Pursuant to an agreement entered into between Imagination, Unique and the Company and dated 8 June 2012, the parties have agreed that in connection with the share purchase agreement entered into between Imagination and Unique dated 8 June 2012 (details of which are set out at paragraph 14.18 below), the obligation on Unique to pay Imagination the consideration due under such agreement shall be novated to the Company and Unique shall be released and discharged from the obligation. The agreement is governed by English law.

14.18 *Share purchase agreement between Imagination and Unique*

Pursuant to an agreement entered into between Imagination and Unique and dated 8 June 2012, Unique acquired 104,859 A ordinary shares of £0.01 each in the capital of Audioboo for a consideration of £271,616.23. The agreement contains warranties from Imagination to Unique customary for agreements of this nature. Unique may assign its rights under the agreement to any member of its group. The agreement is governed by English law.

14.19 *Convertible loan agreement between the Company and Imagination*

The Company entered into a convertible loan agreement on 20 February 2014 with Imagination under the terms of which the Company borrowed the sum of £100,000 from Imagination. The loan is interest free. The loan is convertible into New Ordinary Shares at the Placing Price upon completion of the Placing, provided that if the Placing has not completed by 30 June 2014 the loan shall be convertible into Ordinary Shares at the then current market price of the Company's shares.

14.20 *Convertible loan agreement between the Company and 7digital*

The Company entered into a convertible loan agreement on 25 November 2013 with 7digital pursuant to which the Company lent £1 million to 7digital by way of the purchase of a convertible loan note from 7digital. The loan accrued interest at 5 per cent. per annum until 30 April 2014 and accrues interest at 7 per cent per annum thereafter. The principal and accrued interest on the loan is due and payable in 24 equal payments, payable monthly, beginning on 1 May 2014, or earlier in specified circumstances. UBC may elect, at any time, to convert the loan into preference shares in 7digital.

14.21 *Lock-in agreements*

By a lock in agreement dated 20 May 2014 and made by Ben Drury, Simon Cole, Chris Dent, Imagination, Dolby and Goodmans in favour of finnCap, Investec and the Company under which each agreed, conditional on Admission, not to dispose of their interests in New Ordinary Shares for a period of 12 months from the date of Admission, save in certain limited circumstances and each agreed that, for a further 12 months from the date of Admission, save for certain exceptions, not to dispose of their

interests in New Ordinary Shares without the prior written consent of each of the Company, finnCap and Investec and any such sale or disposal of New Ordinary Shares will generally be effected through finnCap, Investec or the Company's incumbent broker. In addition to certain exceptions to lock in and orderly market arrangements which apply to the Locked In Parties, Goodmans is also permitted to transfer its interests in New Ordinary Shares to a Goodmans or Hilco Related Entity, provided that such entity signs up to an agreement, *inter alia*, in the same form as the lock in agreement set out in this paragraph and provided that such entity remains a Goodman or Hilco Related Entity.

14.22 *The Subscription Agreements*

Under the Subscription Agreements, Simon Cole (a director of the Company), Chris Dent (a director of the Company), Ben Drury (a director of 7digital), Peter Downton, Leigh Woolley, Stephen Somerville and James Kane agree to subscribe in cash prior to Admission for the Subscription Shares at the Placing Price.

15. MATERIAL CONTRACTS OF 7DIGITAL AND ITS SUBSIDIARIES

15.1 *Convertible loan agreement*

On 25 November 2013, 7digital entered into a convertible loan agreement with the Company, the terms of which are described in paragraph 14.20 of this Part VI.

15.2 *Invoice discounting agreement*

The Company and 7digital Limited entered into an invoice discounting agreement in relation to 7digital Limited's trade debts on 25 November 2013 as security for the loan facilities made available pursuant to the Convertible Loan Agreement referred to at paragraph 15.1 above. The agreement is governed by English law.

15.3 *Receivables pledge agreement*

The Company and 7digital entered into a security agreement dated 25 November 2013 in connection with the convertible loan agreement described in paragraph 15.1 above. Pursuant to the agreement, 7digital granted the Company a first-ranking pledge over certain 7digital intra-group receivables, trade receivables and any other present or future debts owed to 7digital by any debtor of 7digital. The agreement contains covenants by 7digital to the Company customary for agreements of this nature and is governed by the laws of the State of Delaware in the United States. 7digital, Inc. entered into a similar agreement dated 25 November 2013 pledging the same types of collateral to secure its obligations to guarantee the convertible loan. The 7digital, Inc. Security Agreement was in substantially the same form as the 7digital Security Agreement.

15.4 *Merger Agreement*

On 20 May 2014, 7digital entered into the Merger Agreement, the terms of which are described in paragraph 14.3.

15.5 *Escrow Agreement*

On 20 May 2014, 7digital entered into the Escrow Agreement, the terms of which are described in paragraph 14.4.

15.6 *Contribution Agreement*

On 20 May 2014, 7digital entered into the Contribution Agreement, the terms of which are described in paragraph 14.5.

15.7 *Imagination Bridge Loan*

On 16 May 2014, Imagination extended a bridge loan to 7digital, at nil interest, in the amount of £1 million to fund its working capital needs. At completion of the Acquisition, 7digital will novate the

loan to UBC, immediately following which UBC will issue an aggregate of 3,703,703 New Ordinary Shares to Imagination at the Placing Price, in full settlement of the liability under the loan.

15.8 *Letter of intent*

On 25 November 2013 the Company and 7digital entered into a letter of intent in relation to the Acquisition.

15.9 *Engagement letter with GP Bullhound*

In connection with the Transaction, 7digital has entered into an engagement letter with GP Bullhound LLP dated 25 September 2013, which was amended on 1 May 2014, pursuant to which GP Bullhound, are engaged to act as financial adviser to 7digital. In consideration for GP Bullhound's services, 7digital has agreed to pay GP Bullhound an ongoing retainer of £10,000 per month in advance and an additional success fee of £200,000. In addition 7digital agreed to pay GP Bullhound commission of 5 per cent on the aggregate value of the Placing Shares subscribed for by investors introduced by GP Bullhound, as agreed in writing between 7digital and GP Bullhound, excluding existing investors of 7digital and UBC, Guvera and investors introduced by finnCap and Investec. The agreement is governed by English law.

16. IRREVOCABLE UNDERTAKINGS

16.1 The Company has received the following irrevocable undertakings to vote in favour of the Resolutions in respect of the following number of Ordinary Shares:-

<i>Name</i>	<i>Number of Ordinary Shares</i>	<i>Percentage of Existing Total Voting Rights</i>
DC Thomson	33,207,838	16.8%
Imagination	27,857,373	14.1%
Simon Cole	21,275,064	10.8%
Timothy Blackmore	20,080,857	10.2%
Paul Pascoe	9,676,919	4.9%
Kelvin Harrison	123,118	0.1%
Total	112,221,169	56.8%

16.2 Accordingly, irrevocable undertakings and commitments to vote in favour of the Resolutions have been received in respect of a total of, in aggregate, 112,221,169 Ordinary Shares, representing in aggregate approximately 56.8 per cent. of the Existing Total Voting Rights.

16.3 The undertakings provide, *inter alia*, that each of the Shareholders named above shall, vote in favour of the Resolutions and will deliver to the Company a duly completed proxy form appointing the Chairman of the General Meeting as his or its proxy and instructing him to vote in favour of the Resolutions.

17. RELATED PARTY TRANSACTIONS

17.1 Save as referred to below, there were no other nor are there contemplated any related party transactions to which any member of the Enlarged Group was or will be a party:-

17.2 The related party transactions of UBC are:

17.2.1 The Merger Agreement, Escrow Agreement and Contribution Agreement with, among others, 7digital, referred to in paragraphs 14.3, 14.4 and 14.5 of this Part VI;

17.2.2 The Audioboo agreement and irrevocable undertaking to One Delta plc referred to at paragraphs 14.7 and 14.8 of this Part VI;

- 17.2.3 The share option agreement and convertible loan note agreement with Imagination referred to in paragraphs 14.10 and 14.20 of this Part VI; and
 - 17.2.4 The convertible loan agreement, invoice discounting agreement and receivables pledge agreement referred to in paragraphs 15.1, 15.2 and 15.3 of this Part VI.
- 17.3 The related party transactions of 7digital are:
- 17.3.1 The convertible loan agreement, invoice discounting agreement and receivables pledge agreement referred to in paragraphs 15.1, 15.2 and 15.3 of this Part VI;
 - 17.3.2 The Merger Agreement, Escrow Agreement and Contribution Agreement with, among others, 7digital, referred to in paragraphs 15.4, 15.5 and 15.6 of this Part VI; and
 - 17.3.3 The Imagination Bridge Loan referred to in paragraph 15.7 of this Part VI.

18. TAKEOVER OFFERS BY THIRD PARTIES FOR THE COMPANY'S SHARES

Since its incorporation on 28 March 2000 there has not been a takeover offer (within the meaning of Part 28 of the Act) for any Ordinary Shares.

19. WORKING CAPITAL

The Directors and the Proposed Directors are of the opinion that, having made due and careful enquiry and taking into account the net proceeds of the Placing and the Subscription and the existing cash resources available to the Enlarged Group, the Enlarged Group has sufficient working capital for its present requirements that is at least twelve months from the date of Admission.

20. PRINCIPAL INVESTMENTS

- 20.1 The principal investments made by the Company since 1 January 2010 are continuing investments in Audioboo. Over that period the Company has invested £1,861,531 in Audioboo.
- 20.2 There are no other principal investments of the Company that are in progress or that the Company has made since incorporation on which the Company has made any firm commitment.

21. INTELLECTUAL PROPERTY

21.1 Save as disclosed below, the Enlarged Group does not own or otherwise have any interest in any intellectual property rights and there are no intellectual property rights which are material to the Enlarged Group's business.

21.1.1 In relation to the business of the Company and its group:

- (a) the registered trademarks "Unique" and "Smooth Operations" (both registered in the UK, Unique in classes 9, 35, 38 & 41, Smooth Operation in class 41);
- (b) the domain names entertainmentnews.co.uk, ubcmedia.com, ubcmedia.co.uk, delphonicmusic.com, delphonicmusic.co.uk, unique.com and unique.co.uk; and
- (c) the Company is also the registered owner of a number of patents. These relate to UBC's previous work in DAB Radio and are not used in the Company's underlying business.

21.1.2 In relation to the business of 7digital and the 7digital Group:

- (a) "7 DIGITAL" word mark registered in Canada, in the European Community in classes 35, 42 and 45, in India, New Zealand and Singapore in classes 09, 35, 38, 41, 42 and 45, in the USA in classes 09, 35, 38, 41 and 42;
- (b) 7 Device mark  registered in the European Community under classes 35, 42 and 45;

- (c) the domain names 7digital.com and 7digital.net and a number of associated similar domain names;
- (d) proprietary platform application programming interfaces (“APIs”);
- (e) rights to music and to other content that 7digital uses under licenses from third parties;
- (f) the 7digital B2B white label websites;
- (g) the 7digital direct to consumer website;
- (h) proprietary rights in the Windows Phone and Windows 8 App, the Android App, the Sonos App and the iOS App;
- (i) licensed rights in the Blackberry App, the Mobile web store App and the Firefox OS App; and
- (j) rights to use the MP3 patent under license from Thomson Licensing.

22. LITIGATION

22.1 The companies which are intended to make up the Enlarged Group are not involved, nor has any of them been involved, in any governmental, legal or arbitration proceedings in the previous twelve months which may have or have had in the recent past a significant effect on its financial position or profitability and, so far as the Company is aware, there are no such proceedings pending or threatened against any members of the proposed Enlarged Group.

23. NO SIGNIFICANT CHANGE

23.1 Save as disclosed in paragraphs 2 and 9 of Part I, there has been no significant change in the financial or trading position of the Group since the end of the last financial period for which interim financial information has been published, being 30 September 2013.

23.2 Save as disclosed in paragraph 9 of Part I, there has been no significant change in the financial or trading position of the 7digital Group and its subsidiaries since the end of the last financial period for which audited information has been published, being 31 December 2013.

24. TAXATION

24.1 *Introduction*

The information in this section is based on the Directors’ understanding of current UK tax law and HM Revenue & Customs practice as at the date of this document, both of which are subject to change at any time. It should be regarded as a summary of the tax treatment likely to be afforded UK resident investors holding their Ordinary Shares in the Company as investments. It does not constitute legal or tax advice and potential investors are, therefore, strongly recommended to consult a professional adviser regarding their own tax position and the consequences of making an investment in the Company.

24.2 *Tax residence of the Company*

The Company is considered to be resident for tax purposes in the UK. Accordingly, the information provided in this section reflects the taxation treatment appropriate to an investment in a UK tax resident company.

24.3 *Taxation of chargeable gains made by shareholders*

A sale or other disposal of the Ordinary Shares may, subject to any available reliefs and exemptions, give rise to a chargeable gain (or allowable loss) for the purposes of UK taxation of chargeable gains.

Individuals and Trustees

Chargeable gains realised on a disposal of Ordinary Shares by an individual or trustee resident and ordinarily resident in the UK will be subject to capital gains tax which is charged at a rate of 28 per cent. for those individuals whose total income and gains exceed the income tax basic rate limit, and at a rate of 18 per cent. where total income and gains fall below the basic rate limit. A flat rate of 28 per cent. applies for trustees and personal representatives.

An individual shareholder who disposes of Ordinary Shares while only temporarily not resident in the UK for tax purposes, may, under anti-avoidance legislation, still be liable to UK tax on his or her return to the UK. A period of non-residence of less than five whole tax years prior to the year in which the shareholder returns to the UK will be treated as a temporary period for these purposes. Shares of the same class acquired by the same person and in the same capacity are “pooled” and treated as a single asset growing or diminishing as shares of the same class are acquired or disposed. Accordingly on a part disposal of the relevant shareholding the gain (or loss) will be computed by reference to that proportionate part of the aggregate cost of the holding attributable to the shares disposed.

Companies

UK resident corporate shareholders are subject to corporation tax on their chargeable gains. Gains realised by such companies, as reduced by available indexation relief, are subject to corporation tax at the company’s relevant rate. Indexation relief is deductible in computing any gain arising on a disposal of, or out of, the holding and is computed by reference to the movement in the Retail Price Index over the period of ownership applied to the cost of the holding, or that part of the holding, disposed. As for individuals and trustees, shares of the same class held by a corporate shareholder are “pooled”.

Non residents

Shareholders who are not resident or ordinarily resident in the UK and who are not affected by the rules relating to temporary non residence will, save in limited circumstances, not be liable to UK taxation on chargeable gains realised on the disposal of their Ordinary Shares.

Such shareholders may be subject to foreign taxation on any gain realised under the local law of their country of residence and should consult their own tax adviser concerning their tax liabilities on such gains.

24.4 Taxation of dividends

The taxation of dividends paid by the Company and received by an investor resident for tax purposes in the UK is summarised below.

Individuals

A UK resident individual shareholder in receipt of dividends is treated as receiving income of an amount equal to the sum of the dividend and its associated tax credit. The tax credit currently equates to 10 per cent. of the gross dividend, being the combined amount of the dividend and the tax credit (the tax credit therefore representing one-ninth of the net dividend). The gross dividend is subject to income tax as the top slice of the individual’s income and is taxed at the individual’s marginal rate of income tax. The tax credit is available to set against the resulting liability (if any) to income tax. An individual liable to income tax at the basic rate will be liable to tax on the gross dividend at a rate of 10 per cent. (“the dividend ordinary rate” which is a special rate of tax set for basic rate taxpayers in receipt of dividend income). Accordingly, the tax credit will satisfy the income tax liability of such an individual. Similarly, individuals liable at the starting rate for savers, currently set at 10 per cent., will have no further liability as a result of the available tax credit. An individual liable to income tax at the higher rate will pay tax on the gross dividend at a rate of 32.5 per cent. (“the dividend upper rate” which is a special rate of tax set for higher rate taxpayers in receipt of dividend income). After taking into account the tax credit of 10 per cent. a higher rate taxpayer will be liable to additional income tax of 22.5 per cent. of the gross dividend, which equates to 25 per cent. of the actual or net

dividend, An individual liable to income tax at the additional rate will pay tax on the gross dividend at a rate of 37.5 per cent. (“the dividend additional rate” which is a special rate of tax set for additional rate taxpayers in receipt of dividend income). After taking into account the tax credit of 10 per cent., an additional rate taxpayer will be liable to additional income tax of 27.5 per cent. of the gross dividend, which equates to 30.56 per cent. of the actual or net dividend.

Trustees

UK resident trustees of a discretionary trust in receipt of dividends are liable to income tax at a rate of 37.5 per cent. (“the dividend trust rate”) of the gross dividend. After giving effect to the tax credit of 10 per cent. the trustees will be liable to additional income tax of 27.5 per cent. of the gross dividend, which equates to 30.56 per cent. of the actual or net dividend.

Companies

Although a UK resident corporate shareholder is potentially liable to corporation tax on its dividend income, it is anticipated that the general exemption for dividends will be available to exempt from corporation tax corporate investors in receipt of dividends from the Company.

24.5 Withholding tax and tax credit in UK

The Company is not required to withhold tax when paying a dividend. Liability to tax on dividends will depend upon the individual circumstances of a Shareholder. Other UK resident Shareholders who are not liable to UK tax on dividends, including pension funds and charities, are not entitled to claim repayment of the tax credit. Shareholders who are resident outside the UK for tax purposes will not generally be able to claim repayment of any part of the tax credit attaching to dividends received from the Company, although this will depend on the existence and terms of any double taxation convention between the UK and the country in which such shareholder is resident. A Shareholder resident outside the UK may also be subject to taxation on dividend income under local law. A Shareholder who is resident outside the UK for tax purposes should consult his own tax adviser concerning his tax position on dividends received from the Company.

24.6 Stamp Duty and Stamp Duty Reserve Tax (“SDRT”)

Transfers of Ordinary Shares may give rise to liabilities to stamp duty and SDRT. The paragraphs below summarise the current position and are intended as a general guide only to stamp duty and SDRT. Special rules apply to agreements made by brokers, dealers and market makers in the ordinary course of their business and to certain categories of person (such as depositaries and clearance services) who may be liable to stamp duty or SDRT at a higher rate. No liability to stamp duty or SDRT will generally arise on the allotment and issue of new Ordinary Shares by the Company.

Transfers outside CREST

An instrument (generally a stock transfer form) transferring Ordinary Shares outside CREST will be liable to *ad valorem* stamp duty broadly at a rate of 0.5 per cent. of the consideration paid (rounded up to the nearest multiple of £5). Stamp duty is normally paid by the purchaser. An unconditional agreement to transfer such shares, if not completed by a duly stamped stock transfer form by the seventh day of the month following the month in which the agreement becomes unconditional, will be subject to SDRT (payable by the purchaser and generally at a rate of 0.5 per cent. of the consideration paid). If within 6 years of the date of the agreement an instrument of transfer is executed pursuant to the agreement and on the instrument is duly stamped any liability to SDRT will be cancelled or repaid.

Transfers within CREST

Paperless transfers of Ordinary Shares within CREST will be charged to SDRT (rather than stamp duty) at a rate of 0.5 per cent. of the consideration paid. SDRT is payable by the purchaser. CREST is obliged to collect SDRT on relevant transactions settled within the system.

24.7 *Income Tax*

The following paragraphs apply to non-employee shareholders. Employee shareholders may be subject to an alternative tax regime and should consult their own professional adviser.

There will be no charge to income tax on the purchase or sale of the Ordinary Shares. The tax treatment of dividends received on the Ordinary Shares is dealt with in paragraph 24.4 above.

24.8 *Inheritance Tax*

The Ordinary Shares are considered, potentially, to qualify for business property relief for the purposes of inheritance tax. Shares in an unquoted company (other than an investment company or one which carries on a business consisting wholly or mainly of dealing in securities, stocks, shares, land and buildings) potentially attract full relief (as business property) from inheritance tax where the shares have been held for 2 years prior to the chargeable transfer for inheritance tax purposes.

24.9 *General*

The above is a summary of certain aspects of current law and practice in the UK. A shareholder who is in any doubt as to his tax position, or who is subject to tax in a jurisdiction other than the UK, should consult his or her professional adviser.

25. **EMPLOYEE SHARE SCHEME**

The Company intends (subject to approval from its Shareholders at the General Meeting) to adopt the Employee Share Scheme under which it proposes to issue, in due course, New Ordinary Shares to employees, directors and consultants of the Enlarged Group on a discretionary and selective basis; awards to executive directors and senior managers will be subject to performance conditions. Vesting will be phased over three years. New Ordinary Shares allotted under the Employee Share Scheme will be 'restricted securities' in that they will be forfeitable in certain circumstances (including on the cessation of employment). The number of New Ordinary Shares issued under the Employee Share Scheme, when added to the number of New Ordinary Shares issued under any other share scheme of the Enlarged Group over the 10 year period after adoption of the Employee Share Scheme, may not exceed 15 per cent. of the Company's issued ordinary share capital at the time. It is intended that in the first two years following Admission, New Ordinary Shares representing up to 4 per cent. of the Company's issued share capital at the time (of which a maximum of 1.5 per cent. will be to executive directors) be issued under the Employee Share Scheme to certain members of the New Board and other members of staff. The initial allotments of New Ordinary Shares under the Employee Share Scheme are subject to Shareholder approval at the General Meeting, intended to be made shortly after Admission.

26. **GENERAL**

26.1 The gross proceeds of the Placing and the Subscription are expected to be £6 million. The total costs and expenses relating to the Acquisition, the Placing, the Subscription and Admission are payable by the Company and are estimated to amount to approximately £1.2 million (excluding Value Added Tax). The net proceeds of the Placing and the Subscription are expected to be £4.8 million.

26.2 finnCap which is authorised by the Financial Conduct Authority, has given and not withdrawn its written consent to the inclusion in this document of its name and the references thereto in the form and context in which they appear. finnCap is acting exclusively for the Company in connection with Admission and not for any other persons. finnCap will not be responsible to any persons other than the Company providing the protections afforded to customers of finnCap or for advising any such person in connection with the Placing and Admission, this document or any matter, transaction or arrangement referred to in it.

26.3 finnCap is registered in England and Wales under company number 06198898 and its registered office is at 60 New Broad Street, London, EC2M 1JJ.

- 26.4 Investec which is authorised by the Financial Conduct Authority, has given and not withdrawn its written consent to the inclusion in this document of its name and the references thereto in the form and context in which they appear. Investec is acting exclusively for the Company in connection with Admission and not for any other persons. Investec will not be responsible to any persons other than the Company providing the protections afforded to customers of Investec or for advising any such person in connection with Admission, this document or any matter, transaction or arrangement referred to in it.
- 26.5 Investec is registered in England and Wales under company number 489604 and its registered office is at 2 Gresham Street, London, EC2V 7QP.
- 26.6 Grant Thornton UK LLP has given and not withdrawn its written consent to the inclusion in this document of the Accountants' Report set out in Part A of Part IV and has authorised the contents of its report for the purposes of Schedule Two of the AIM Rules in the form and context in which they appear.
- 26.7 Hazlewoods LLP, which is a member of the Institute of Chartered Accountants in England and Wales, and whose office is at Windsor House, Bayshill Road, Cheltenham GL50 3AT was appointed auditor to the Company on 26 March 2013.
- 26.8 Save as set out in this document, as far as the Directors are aware, there are no environmental issues that may affect the Group's utilisation of its tangible fixed assets.
- 26.9 Save for the proposed Employee Share Scheme (which is subject to Shareholder approval at the General Meeting), and options under the existing 7digital option plan, there are no employee share incentive arrangements involving a share in the capital of the Company in place at the date of this document.
- 26.10 Where information has been sourced from a third party, this information has been accurately reproduced. So far as the Company and the Directors and the Proposed Directors are aware and are able to ascertain from information provided by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.
- 26.11 The Placing Price represents a premium over the nominal value of 1 pence per Ordinary Share (10 pence per New Ordinary Share, post the Share Consolidation).
- 26.12 It is expected that definitive certificates will be despatched by hand or first class post within 14 days of each Admission. In respect of uncertificated shares, it is expected that shareholders' CREST stock accounts will be credited on or around the date of Admission.
- 26.13 The financial information contained in this document does not constitute full statutory accounts as referred to in Section 240 of the Act. No further statements or accounts have been prepared nor delivered to the Registrar of Companies for the Company.
- 26.14 Save as disclosed in this document no person (other than the professional advisers referred to in this document and trade suppliers) has received, directly or indirectly, from the Company within 12 months preceding the date of this document or entered into contractual arrangements to receive, directly or indirectly, from the Company on or after Admission, fees totaling £10,000 or more or securities in the Company with a value of £10,000 or more, calculated by reference to the Placing Price, or any other benefit with a value of £10,000 or more at the date of Admission.
- 26.15 Save as disclosed in this document, there are no Enlarged Group investments in progress which are or may be significant.
- 26.16 Monies received from applicants pursuant to the Placing will be held in accordance with the terms of the placing letters issued by finnCap and Investec until such time as the Placing Agreement becomes unconditional in all respects. If the Placing Agreement does not become unconditional in all respects by 30 June 2014 application monies will be returned to applicants at their risk without interest.

- 26.17 Save as disclosed in this document, no payment (including commissions) discounts, brokerages or other special terms has been or is to be paid or given to any promoter of the Company or granted in connection with the issue or sale of any share or loan capital of the Company.
- 26.18 There are no arrangements in place under which further dividends are to be waived or agreed to be waived.
- 26.19 Where information in this document has been sourced from a third party this information has been accurately reproduced. So far as the Company, the Directors and the Proposed Directors are aware and are able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

27. DOCUMENTS FOR INSPECTION

- 27.1 Copies of the following documents will be available free of charge during normal business hours on any week day (Saturdays, Sundays and public holidays excepted) until the date following one month after the date of Admission at the registered office of the Company and at the offices of finnCap at 60 New Broad Street, London, EC2M 1JJ.
- (i) the Existing Articles;
 - (ii) the New Articles;
 - (iii) the Accountants' Reports set out in Part IV of this document;
 - (iv) the material contracts set out in paragraphs 14 and 15 of Part VI of this document;
 - (v) the Directors and Proposed Directors' service agreements and letters of appointment referred to in paragraph 10 of Part VI of this document;
 - (vi) the letters of consent referred to in paragraph 26 of Part VI of this document; and
 - (vii) this document.

20 June 2014

NOTICE OF GENERAL MEETING

UBC Media Group plc

*(incorporated and registered in England and Wales with
Registered No. 03958483)*

NOTICE OF GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT a GENERAL MEETING of UBC Media Group plc (the “Company”) will be held at the offices of DAC Beachcroft LLP, 100 Fetter Lane, London EC4A 1BN at 10.00 a.m. on Monday 9 June 2014 to consider and, if thought fit, approve the following resolutions of which resolutions 1, 2, 3 and 8 will be proposed as ordinary resolutions and resolutions 4, 5, 6 and 7 as special resolutions:

1. THAT, subject to the passing of resolutions 2, 3, 4, 5 and 8 below, the acquisition of 7digital Group Inc., by 7digital Acquisition Inc, (a subsidiary of the Company) (the “Merger”), on the terms and subject to the conditions contained in the Merger Agreement, as defined in the Company’s Admission Document of which this notice forms a part (“**Admission Document**”), be and the same is hereby approved for all purposes, including, without limitation, for the purposes of Rule 14 of the AIM Rules for Companies published by the London Stock Exchange plc and that the directors be and are hereby authorised to take all steps necessary or, in the opinion of the directors, desirable, to give effect to the Merger Agreement, including without limitation, waiving, amending, varying or extending any of the conditions and terms of the Merger.
2. THAT:
 - 2.1 all the existing ordinary shares of 1p each (each an “**Existing Ordinary Share**”) that are in issue at 6.00 p.m. on 9 June 2014 (or such other time as the directors may determine (“**Record Date**”)) be consolidated into ordinary shares of 10p each (each a “**New Ordinary Share**”) provided that where any individual holding of Existing Ordinary Shares is not a multiple of 10, the resulting fractional entitlement shall be dealt with in the manner set out in sub-paragraph 2.2 below, such shares having the rights and being subject to the restrictions set out in the Company’s articles of association to be adopted pursuant to resolution 7 below;
 - 2.2 where such consolidation, as outlined in this resolution 2, results in any Shareholder being entitled to a fraction of a New Ordinary Share, such fraction shall, so far as possible, be aggregated with fractions of a New Ordinary Share to which other shareholders of the Company are entitled and the directors of the Company be and are hereby authorised to sell (or appoint any other person to sell to any person), on behalf of the relevant Shareholders, all the New Ordinary Shares representing such fractions at the best price reasonably obtainable to any person, and to distribute the proceeds of sale (less expenses) in due proportion among the relevant Shareholders entitled thereto, save that any amount otherwise due to a Shareholder, being less than £3, may be retained for the benefit of the Company.
3. THAT, subject to the passing of resolutions 1 and 2, in substitution for any existing such authority, the directors be and are hereby generally and unconditionally authorised pursuant to Section 551 of the Companies Act 2006 (the “**2006 Act**”) to allot Relevant Securities of the Company (as defined at note 11 below):
 - 3.1 up to an aggregate nominal amount of £12,377,316.60 provided that this power shall be limited to:
 - (a) the allotment of up to 26,329,100 New Ordinary Shares in connection with the Placing, the Subscription, the Imagination Convertible Loan and the Imagination Bridge Loan (as defined and summarised in the Admission Document);
 - (b) the allotment of the Vendor Consideration Shares (as defined in the Admission Document); and

- (c) the allotment otherwise than pursuant to sub-paragraphs (a) and (b) above, of equity securities up to an aggregate nominal amount of £3,610,878.00;
- 3.2. up to an aggregate nominal amount of £7,221,756.00 (such amount to be reduced by the aggregate nominal amount of Relevant Securities allotted under resolution 3.1 (c) above) in connection with an offer by way of a rights issue.

PROVIDED THAT such authorities (unless previously revoked or varied) shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2015 (or, if earlier, the date falling 18 months after the date of the passing of this resolution) save that the Company may, before such expiry, make an offer or agreement which would or might require Relevant Securities to be allotted after such expiry and the directors may allot Relevant Securities in pursuance of such an offer or agreement as if the authorities conferred by this resolution had not expired.

4. THAT, subject to the passing of resolutions 1, 2 and 3 and in substitution for any existing such authority, the directors be and they are hereby empowered pursuant to Section 570 of the 2006 Act to allot equity securities (as defined in Section 560 of the 2006 Act) pursuant to the authority conferred by resolution 3 above as if Section 561(1) of the 2006 Act did not apply to any such allotments provided that this power shall be limited to:
- 4.1 the allotment of up to 26,329,100 New Ordinary Shares in connection with the Placing, the Subscription, the Imagination Convertible Loan and the Imagination Bridge Loan (as defined and summarised in the Admission Document);
 - 4.2 the allotment of the Vendor Consideration Shares (as defined in the Admission Document);
 - 4.3 the allotment of equity securities for cash in connection with any rights issues or pre-emptive offer in favour of holders of equity securities generally; and
 - 4.4 the allotment otherwise than pursuant to sub-paragraphs 4.1, 4.2 and 4.3 above, of equity securities for cash up to an aggregate nominal amount of £1,083,263.40;

PROVIDED THAT such power (unless previously revoked or varied) shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2015 (or, if earlier, the date falling 18 months after the date of the passing of this resolution) provided that the directors may, before such power expires, make an offer or enter into an agreement which would or might require equity securities to be allotted after such power expires.

5. THAT the Escrow Agreement as defined in the Admission Document, which, amongst other things, allows the Company to buy back shares held in escrow, (the principal terms of which are summarised in the Admission Document) be and the same is hereby approved and that the directors be and are hereby authorised to take all steps necessary or in the opinion of the directors, desirable, to give effect to it and that in addition to any existing authority the Company has to buy back its own shares, the Company be generally and unconditionally authorised for the purposes of section 701 of the 2006 Act to make market purchases (as defined in section 693(4) of the 2006 Act) of New Ordinary Shares on the terms set out in the Escrow Agreement, provided that:
- 5.1 the maximum aggregate number of New Ordinary Shares that may be purchased is 20,445,095;
 - 5.2 the minimum price (excluding expenses) which may be paid for each New Ordinary Share is 0.00000489 pence;
 - 5.3 the maximum price (excluding expenses) which may be paid for each New Ordinary Share is £1; and
 - 5.4 the authority conferred by this resolution shall take effect on the date of passing this resolution and shall (unless previously revoked, renewed or varied) expire at the conclusion of the Company's next annual general meeting after the passing of this resolution or if earlier, 15 months after the date of passing this resolution, save in relation to the purchases of New Ordinary Shares set out in the Escrow Agreement, such Escrow Agreement was concluded

before the expiry of this authority and which will or may be executed wholly or partly after expiry of such authority.

6. THAT, subject to the passing of resolution 1 and completion of the Merger Agreement, the name of the Company be changed to “7digital Group plc”.
7. THAT, subject to the passing of resolutions 1, 2 and completion of the Merger Agreement, the Articles of Association produced to the meeting and initialled by the Chairman for the purpose of identification, be adopted as the new Articles of Association of the Company in substitution for, and to the exclusion of the existing Articles of Association of the Company.
8. THAT the terms of the Employee Share Scheme (as defined in the Admission Document), the principal terms of which are summarised in the Admission Document, be and are hereby approved and the directors of the Company be and are hereby authorised to adopt the Employee Share Scheme and do all acts and things which they may, in their absolute discretion, consider necessary or expedient to give effect to the Employee Share Scheme.

By Order of the Board

Chris Dent

Director and Company Secretary

Registered Office:

50 Lisson Street,
London, NW1 5DF

Dated: 20 May 2014

Notes:

1. The Company specifies that only those members registered on the Company’s register of members at 10.00 a.m., on 7 June 2014 (or in the event of any adjournment, 10.00 a.m. on the date which is two days before the time of the adjourned meeting) shall be entitled to attend and vote at the General Meeting.
2. If you are a member of the Company at the time set out in note 1 above, you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at the General Meeting and you should have received a Proxy Form with this notice. You can only appoint a proxy using the procedures set out in these notes and the notes to the Proxy Form. The return of a completed Proxy Form will not prevent a Shareholder attending the General Meeting and voting in person.
3. A proxy does not need to be a member of the Company but must attend the General Meeting to represent you. Details of how to appoint the chairman of the General Meeting or another person as your proxy using the Proxy Form are set out in the notes to the Proxy Form. If you wish your proxy to speak on your behalf at the General Meeting you will need to appoint your own choice of proxy (not the chairman) and give your instructions directly to them.
4. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, please contact the Company’s registrars at the address set out in note 6.
5. The notes to the Proxy Form explain how to direct your proxy how to vote on each resolution or withhold their vote.
6. To appoint a proxy using the Proxy Form, the Proxy Form must be:
 - (i) completed and signed;
 - (ii) sent or delivered to Capita Asset Services, PXS, 34 Beckenham Road, Kent, BR3 4TU; and
 - (iii) received by Capita Asset Services, at the address provided in paragraph 6(ii) above no later than 10.00 a.m. on 7 June 2014.
7. In the case of a member which is a company, the Proxy Form must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the Company.
8. Any power of attorney or any other authority under which the Proxy Form is signed (or a duly certified copy of such power or authority) must be included with the Proxy Form.
9. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company’s register of members in respect of the joint holding (the first-named being the most senior).

10. As at 5.00 p.m. on the day immediately prior to the date of posting of this notice, the Company's issued share capital (excluding treasury shares) comprised 197,578,235 ordinary shares of 1p each. Each ordinary share (excluding treasury shares) carries the right to one vote at a general meeting of the Company and, therefore, the total number of voting rights in the Company as at 5.00 p.m., on the day immediately prior to the date of posting of this notice is 197,578,235.
11. "Relevant Securities" means:
 - (i) shares in the Company other than shares allotted pursuant to:
 - (a) an employee share scheme (as defined by section 1166 of the 2006 Act);
 - (b) a right to subscribe for shares in the Company where the grant of right itself constituted a Relevant Security; or
 - (c) a right to convert securities into shares in the company where the grant of the right itself constituted a Relevant Security;
 - (ii) any right to subscribe for or convert any security into shares in the Company other than rights to subscribe for or convert any security into shares allotted pursuant to an employee share scheme (as defined by section 1166 of the 2006 Act). Reference to the allotment of Relevant Securities in the resolution include the grant of such rights.

A vote withheld option is provided on the Proxy Form to enable you to instruct your proxy not to vote on any particular resolution. However, it should be noted that a vote withheld in this way is not a "vote" in law and will not be counted in the calculation of the proportion of votes "for" and "against" a resolution.

12. The Escrow Agreement will be available for inspection by members of the Company at the Company's registered office from the date of the Notice for the period required by Section 702 of the Act and at the General Meeting itself.
13. To change your proxy instructions simply submit a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of proxy appointments (see above) also applies in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded. Where you have appointed a proxy and would like to change the instructions using another hard-copy proxy form, please contact Capita Asset Services. If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.
14. In order to revoke a proxy instruction you will need to inform the Company by sending a signed hard copy notice clearly revoking your proxy appointment to Capita Assets Services, PXS, 34 Beckenham Road, Beckenham BR3 4TU. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice. In either case, the revocation notice must be received by Capita Assets Services no later than 10.00 a.m. on 7 June 2014. If you attempt to revoke your proxy appointment but the revocation is received after the time specified then, subject to the paragraph directly below, your proxy appointment will remain valid.
15. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the General Meeting and any adjournment(s) thereof by using the procedures described in the CREST Manual, CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider should refer to their CREST sponsors or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manuals. The message must be transmitted so as to be received by the Company's agent, Capita Assets Services (CREST Participant ID: RA10), no later than 48 hours before the time appointed for the meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Application Host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

CREST members and, where applicable, their CREST sponsor or voting service provider should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider, to procure that his CREST sponsor or voting service provider takes) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service provider(s) should refer to the sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

