

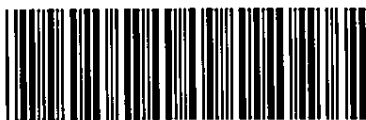
MIRRIAD LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 SEPTEMBER 2007

REGISTERED NUMBER: 5879899

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MirriAd Limited

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MirriAd Limited

COMPANY INFORMATION

Directors

Stephen Bullock (Chairman)

David Fisher

Anthony Isaacs

Mark Popkiewicz

Dennis Wilkinson

Secretary

Anthony Isaacs

Registered office

MirriAd Limited

22 Great James Street

London

WC1N 3ES

Independent Auditor

PricewaterhouseCoopers LLP

Thames Valley Office

The Atrium

1 Harefield Road

Uxbridge

UB8 1EX

MirriAd Limited

REPORT OF THE DIRECTORS FOR THE PERIOD ENDED 30 SEPTEMBER 2007

The directors present their report and audited financial statements of the company for the 15 month period ended 30 September 2007. The company was incorporated on 18 July 2006.

Principal activity

MirriAd Limited is engaged in the provision of embedded advertising into video. The principal activity of the company during the period comprised the development of the unique technology required to embed advertising imagery into video. The company monetizes video content by selling advertising services to advertisers and brand owners, and their agencies, by sourcing content inventory and digitally embedding branded advertising into the content. This content is then delivered to the target audience on any platform (such as DVD, TV and internet). The process is managed online using our AdBroker technology.

Business review and future developments

During the period the company carried out market research, developed core technology and a business plan and successfully secured £2m in venture capital funding, the transaction was completed on 25 September 2007. The company commenced trading on 1 March 2007 following the i) purchase of the AdBroker business and ii) the licensing of certain software from Imagineer Systems Limited ("Imagineer") in February 2007. Several commercial engagements were initiated and the company expects to develop these further. A key future focus will also be the further development of its cornerstone technology ZoneSense together with significant improvements to its Adbroker technology platform. MirriAd Inc, a wholly owned subsidiary undertaking was incorporated on 13 June 2007 but did not trade during the period.

Results and dividends

The company results for the year are shown in the Profit and loss account on page 6. The loss after tax for the 15 month period ended 30 September 2007 was £587,468. No dividends were paid or are proposed for the period.

Donations

No donations were made during the period.

Subsequent events

Following completion of a further £2m in funding on 23 September 2008 (see note 16) the Board considers the Company has sufficient cash resources to fully fund the business for the next 12 months from the date of this report. For this reason the Directors believe it remains appropriate to continue to prepare the financial statements on a going concern basis.

Directors

Directors who served during the year and up to the date of signing the financial statements were as follows:

Stephen Bullock (appointed 10 February 2007)

Mark Popkiewicz (appointed 10 February 2007)

Anthony Isaacs (appointed 23 March 2007)

David Fisher (appointed 25 September 2007)

Dennis Wilkinson (appointed 25 September 2007)

Gordon's Nominee Directors Limited (appointed on incorporation, resigned 15 February 2007)

Bruce Smith (appointed 10 February 2007, resigned 25 September 2007)

MirriAd Limited

REPORT OF THE DIRECTORS FOR THE PERIOD ENDED 30 SEPTEMBER 2007 (continued)

Statement of directors' responsibilities in respect of the Annual Report and the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement as to disclosure of information to auditors

The directors who were in office on the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant audit information of which the auditors are unaware. Each of the directors have confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

The accounts have been prepared in accordance with the special provisions in Part VII of the Companies Act 1985.

Independent Auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their appointment will be proposed at the Annual General Meeting.

By order of the Board



Anthony Isaacs
Director

22 October 2008

MirriAd Limited

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MIRRIAD LIMITED

We have audited the financial statements of MirriAd Limited for the period 18 July 2006 to 30 September 2007 which comprises the profit and loss account, the balance sheet, and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit 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 statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 30 September 2007 and of its loss for the period then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
West London

30 October 2008

MirriAd Limited

Profit and loss account for the period 18 July 2006 to 30 September 2007

| | Notes | 2007 £ |
|---|-------|-------------------------|
| TURNOVER | | 5,000 |
| Cost of sales | | (72,538) |
| GROSS LOSS | | <u>(67,538)</u> |
| General and Administrative expenses | | (520,705) |
| OPERATING LOSS | 2 | <u>(588,243)</u> |
| Interest receivable and similar income | 4 | <u>775</u> |
| LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION | | (587,468) |
| Taxation on loss on ordinary activities | | - |
| LOSS FOR THE FINANCIAL PERIOD AFTER TAXATION | 12 | <u>(587,468)</u> |

The operating loss for the period arises from continuing operations

There are no material differences between the loss on ordinary activities before taxation and the loss for the financial period stated here and their historical cost equivalents

No separate statement of total recognised gains and losses has been presented as all such gains and losses have been dealt with in the profit and loss account

MirriAd Limited

Balance sheet as at 30 September 2007

| | Notes | 2007 £ |
|--|-------|-------------------------|
| FIXED ASSETS | | |
| Tangible assets | 6 | 7,038 |
| Intangible assets | 7 | 965,009 |
| | | <u>972,047</u> |
| CURRENT ASSETS | | |
| Debtors | 8 | 26,824 |
| Cash at bank and in hand | | 1,402,117 |
| TOTAL CURRENT ASSETS | | <u>1,428,941</u> |
| CREDITORS – Amounts falling due within one year | 9 | <u>(261,066)</u> |
| NET CURRENT ASSETS | | 1,167,875 |
| CREDITORS - Amounts falling due after one year | 10 | (2,361,567) |
| NET LIABILITIES | | <u><u>(221,645)</u></u> |
| CAPITAL AND RESERVES | | |
| Called up equity share capital | 11 | 6,384 |
| Share premium | 12 | 359,439 |
| Profit and loss account | 12 | (587,468) |
| TOTAL SHAREHOLDERS' DEFICIT | 13 | <u><u>(221,645)</u></u> |

These financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies and in accordance with the Financial Reporting Standard for Smaller Entities (effective January 2005)

The financial statements on pages 5 to 13 were approved by the board of directors on 22 October 2008 and were signed on behalf of the Board of Directors



Anthony Isaacs
Director

MirriAd Limited

Notes to the financial statements for the period ended 30 September 2007

1. Accounting policies

Basis of accounting

These financial statements are prepared on the going concern basis, under the historical cost convention, and in accordance with the special provision of Part VII of the Companies Act 1985 applicable to small companies and in accordance with the Financial Reporting Standards for smaller entities (effective January 2005). The principal accounting policies, which have been applied consistently throughout the year, are set out below.

Turnover and revenue recognition

Turnover represents the value (excluding VAT) of fees for the service provided. The company provides advertising services. Revenue relating to advertising services is recognised when the services are provided to customers in accordance with contractual terms and conditions.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at original cost less accumulated depreciation. Depreciation is calculated to write off the cost less estimated residual value of each asset evenly over its expected useful life at the following rates:

Computer hardware and office equipment – three years

Intangible fixed assets and amortisation

Purchased intangible assets are capitalised and amortised over their useful economic lives on a straight line basis. Useful economic lives will be reviewed at the end of each reporting period and revised if necessary. The company evaluates the carrying value of goodwill in each financial year to determine if there has been impairment in value, which would result in the inability to recover the carrying amount. When it is determined that the carrying value exceeds the recoverable amount, the excess is written off to the profit and loss account.

The intangible asset relates to mainly licensed intellectual property and is amortised over a period of seven years.

Share based payments and equity warrants

As permitted under FRSSE (2005), the company is not required to account for share based payments and equity warrants.

Foreign currencies

The Company translates foreign currency transactions into sterling at the rate of exchange prevailing at the transaction date. Monetary assets and liabilities denominated in foreign currency are translated into sterling at the rate of exchange prevailing at the balance sheet date or if hedged by way of a forward contract, at the forward rate. Exchange differences arising are taken to the profit and loss account.

MirriAd Limited

Notes to the financial statements for the period ended 30 September 2007

1. Accounting policies (continued)

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date

A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on an undiscounted basis

Cash flow from operating activities

The company, as a small reporting entity, is exempt from the requirement to prepare a cash flow statement under Financial Reporting Standard for Smaller Entities (effective January 2005). Consequently the company has taken advantage of the exemption from preparing a cash flow statement

2. Operating Loss on ordinary activities before taxation

| | 15 month period ended 30 September 2007 £ |
|--|---|
| Set-up costs (note 14) | 220,318 |
| Amortisation of intangibles (note 7) | 87,728 |
| Depreciation on tangible fixed assets (note 6) | 3,520 |
| Research and development costs | 67,253 |
| Auditors remuneration – audit services | 5,000 |

The company had no employees during the period

3. Directors' emoluments

| | 15 month period ended 30 September 2007 £ |
|----------------------|---|
| Aggregate emoluments | 76,647 |

The emoluments relate highest paid director amounted to £57,856. No other remuneration was paid to directors during the period

MirriAd Limited

Notes to the financial statements for the period ended 30 September 2007

4. Interest receivable and similar income

| | 15 month period ended 30 September 2007 £ |
|---------------|---|
| Bank interest | 775 |

5. Taxation on loss on ordinary activities

| | 15 month period ended 30 September 2007 £ |
|---|---|
| Current tax | |
| Tax charge for the period at rate of corporation tax in the UK of 30% | - |

Factors affecting tax charge for period

The tax for the period is lower than the rate of corporation tax in the UK of 30%. The differences are explained below

| | 15 month period ended 30 September 2007 £ |
|--|---|
| Loss on ordinary activities before tax | (587,468) |
| Loss on ordinary activities multiplied by rate of corporation tax in the UK of 30% | (117,494) |
| Effects of | |
| Expenses not deductible | 65,508 |
| Accelerated capital allowances/other timing differences | 54,585 |
| Permanent difference arising from change in rate of corporation tax | (2,599) |
| Current tax charge for period | - |

Factors that may affect future tax charges

The deferred tax asset at 30 September 2007 not recognised in the financial statements of £54,585 consists of £369 excess of capital allowances over depreciation and tax losses of £54,954. The deferred tax asset has not been recognised due to uncertainty regarding sustainable future profits.

MirriAd Limited

Notes to the financial statements for the period ended 30 September 2007

6. Tangible fixed assets

| | Furniture & fixtures and Computer equipments £ |
|---------------------------------|--|
| Cost | |
| At incorporation | - |
| Additions during the period | 10,558 |
| At 30 September 2007 | 10,558 |
| Accumulated depreciation | |
| At incorporation | - |
| Charged during the period | (3,520) |
| At 30 September 2007 | (3,520) |
| Net Book Value | |
| At 30 September 2007 | 7,038 |

7. Intangible fixed assets

| | Intellectual Property £ |
|--------------------------------------|-------------------------------|
| Cost | |
| At incorporation | - |
| Addition during the period (note 10) | 1,052,737 |
| At 30 September 2007 | 1,052,737 |
| Accumulated amortisation | |
| At incorporation | - |
| Charged during the period | (87,728) |
| At 30 September 2007 | (87,728) |
| Net Book Value | |
| At 30 September 2007 | 965,009 |

8. Debtors – Amounts falling due within one year

| | At 30 September 2007 £ |
|----------------------|------------------------------|
| Prepayments | 11,075 |
| Other tax receivable | 15,749 |
| | 26,824 |

MirriAd Limited

Notes to the financial statements for the period ended 30 September 2007

9. Creditors – Amounts falling due within one year

| | At 30 September 2007 £ |
|---|------------------------------|
| Deferred consideration for purchase of intellectual property (see note 10) | 1,500 |
| Accrued expenses | 259,566 |
| | <u>261,066</u> |

10. Creditors – Amounts falling due after more than one year

| | At 30 September 2007 £ |
|---|------------------------------|
| Deferred consideration for purchase of intellectual property | 998,500 |
| ‘B’ Preferred shares | 1,363,067 |
| | <u>2,361,567</u> |

Deferred consideration

The deferred consideration relates to the purchase of intellectual property. The company purchased licensed software from Imagineer Systems Limited. The purchase consideration agreed pursuant to the sale and purchase agreement and intellectual property licence agreement amounted to £1,052,737 of which £52,737 was settled by issue of shares in the company. The balance of the consideration is deferred and paid on an annual basis at the rate of 3.75% of the company's annual gross revenue subject to a maximum period of seven years. If the deferred consideration is not paid in full by the seventh year, the entire outstanding balance will fall due at end of the seventh year.

The current portion of the deferred consideration is estimated based on the estimated revenue for the subsequent year.

‘B’ Preferred shares

| | At 30 September 2007 £ |
|---|------------------------------|
| Authorised 9,908,252 ‘B’ Preferred shares of £0.10 each | <u>990,825</u> |
| Issued, allotted and fully paid 187,548 ‘B’ Preferred shares of £0.1 each | <u>18,755</u> |

On 25 September 2007, the company issued 187,548 ‘B’ preferred shares at £7.26783 per share for a total consideration of £1,363,067. Each ‘B’ Preferred shareholder is entitled to receive a fixed cumulative dividend at a rate of 6.5% per annum on the issue price (‘Preferred Dividend’). Further, ‘B’ Preferred shareholders have the ability to convert the shares into ordinary shares at their discretion. Considering the above, ‘B’ preferred shares are classified as debt rather equity.

MirriAd Limited

Notes to the financial statements for the period ended 30 September 2007

11. Called up share capital

At 30 September
2007
£

Authorised

917,480 ordinary shares of £0.01 each

9,175

Issued, allotted and fully paid

638,430 Ordinary shares of £0.01 each

6,384

On 8 February 2007, 117,616 ordinary shares were issued at 44.838p per share. On 1 June 2007 520,814 ordinary shares were issued at 60p per share by way of a placing and rights issue.

12. Reserves

| | Share premium account £ | Profit and loss reserve £ |
|----------------------------------|-------------------------------|---------------------------------|
| At incorporation | - | - |
| Share premium on issue of shares | 359,439 | - |
| Loss for the year | - | (587,468) |
| At 30 September 2007 | 359,439 | (587,468) |

13. Reconciliation of movements in equity shareholders' deficit

15 month
period ended
30 September
2007
£

| | |
|---|------------------|
| At incorporation | - |
| Issue of share capital | 6,384 |
| Share premium from issue of share capital | 359,439 |
| Loss for the financial period | (587,468) |
| At 30 September 2007 | (221,645) |

MirriAd Limited

Notes to the financial statements for the period ended 30 September 2007

14. Related party transactions

During the period ended 30 September 2007, the company had the following significant related party transactions which were carried out at arms length

Imagineer Systems Limited is considered to be partly related as significant number the company's shareholders also hold a significant portion of the shares in Imagineer Systems Limited. During the period ended 30 September 2007, the company was charged by Imagineer Systems Limited to the value of £220,318 in relation to the company's incorporation and setup costs

On 8 February 2007, as part of the sale and purchase agreement, the company purchased a software licence (see note 10) from Imagineer Systems Limited as intellectual property. The total consideration payable amounted to £1,052,737 of which £52,737 was paid in company's shares and the balance of the consideration was deferred

15. Controlling party

No single shareholder has a controlling interest and no single party is considered as a controlling party of the company

16. Subsequent Events

On 31 October 2007 a further 67,076 B preference shares were allotted on 12 October 2007 a further 20,561 B preference shares were allotted. Both allotment were pursuant the fundraising completed on 25 September 2007. As at 30 September 2007, an amount of £636,933 was outstanding from two of investors, which was subsequently settled and shares issued post year end

On 3 April 2008, the company established Mirriad Advertising Private Limited, a wholly subsidiary undertaking based in Mumbai, India

On 23 September 2008 the company raised a further £2m in funding by the issue of cumulative convertible participating, preferred ordinary shares ("B Shares") at £7.26783 per share