MIRRIAD LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2008

REGISTERED NUMBER: 5879899

MirriAd Limited

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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
West London
The Atrium
1 Harefield Road
Uxbridge
UB8 1EX

MirriAd Limited

DIRECTORS' REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2008

The directors present their report and audited financial statements of the company for the year ended 30 September 2008.

Principal activity
MirriAd Limited is engaged in the provision of embedded advertising into video. The principal activity of the company 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 year significant development was carried out in relation to the Company's cornerstone technology ZoneSense (a unique and novel method for intelligent, automatic video analysis and virtual object placement into any video and in particular on-line video) together with significant improvements to its AdBroker technology platform resulting in a patent filing in May 2008 (an earlier filing had been made in November 2006). During September 2008 the Company received notification that it had been awarded a grant from the Technology Strategy Board. In addition the Company and Group established offices in London, New York and Mumbai.

During September 2008 the Company was successfully in securing £2m in venture capital funding, led by Oxford Technology Enterprise Capital Fund and the transaction was completed on 23 September 2008.

MirriAd Advertising Private Limited, a wholly owned subsidiary undertaking was incorporated on 3 April 2008. The Company was successful in building key relationship with content owners, broadcasters and agencies during the year and delivered several project against signed contracts resulting in sales in the US and India.

The company intends to further develop its ZoneSense and AdBroker technology and secure further sales contracts in the US, UK and India.

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 year ended 30 September 2008 was £2,158,715 (15 month period ended 30 September 2007: £587,468). A dividend of £130,547 is payable for the year being the amount payable at 6.5% on the cumulative convertible participating preferred ordinary shares ('B' Shares), the dividend is recorded as interest in the profit and loss account in accordance with FRS 25 (see note 10).

Going concern
At the current stage of its development the Group is dependent on continuing and future support as described below. The financial statements have been prepared on the going concern basis which assumes that the Group will continue in operational existence for the foreseeable future.

The Group raised £2 million of funding from investors in September 2008 and in order to ensure it can continue its operations in the foreseeable future, management has prepared cash flow projections. These projections take into account the £2m investment in September 2008 from the current principal investors. The Directors recognise that the timing and amount of forecast increases in sales activity and sales collections are not guaranteed, and it is likely that the company will require further funding during 2009

The Directors are confident that they will raise the necessary funding and accordingly the Directors believe they have a reasonable expectation that the Group will have sufficient working capital for the foreseeable future. Accordingly, whilst the directors recognise there exists uncertainty as to the outcome of the matters mentioned above, they believe that it is appropriate for the financial statements to be prepared on the going concern basis.

DIRECTORS' REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2008 (continued)

Going concern (continued)
The financial statements do not contain any adjustments that would arise if the financial statements were not drawn up on a going concern basis. If the company or its subsidiaries were unable to continue in operational existence for the foreseeable future, adjustments would have to be made to state the balance sheet values of assets to their recoverable amounts, and to provide for further liabilities that might arise, and to reclassify fixed assets and long term liabilities as current assets and liabilities.

Donations
No donations were made during the year.

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

Stephen Bullock
Mark Popkiewicz
Anthony Isaacs
David Fisher
Dennis Wilkinson

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 year.

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.

MirriAd Limited

DIRECTORS' REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2008 (continued)

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
31 March 2009

Independent auditors' report to the members of MirriAd Limited

We have audited the group and parent company financial statements (the "financial statements") of MirriAd Limited for the year ended 30 September 2008 which comprise the Group Profit and Loss Account, the Group and Company Balance Sheets and the related notes. These financial statements have been prepared in accordance with the accounting policies set out therein and the requirements of the Financial Reporting Standard for Smaller Entities (Effective January 2007).

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

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 group's and 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.

Emphasis of Matter – Going Concern

In forming our opinion, which is not qualified, we have considered the adequacy of the disclosures made in Note 1 to the financial statements concerning future financial support. The financial statements have been prepared on a going concern basis, the validity of which depends on continuing and future financial support from the Group's investors as well as the successful raising of additional funding. This indicates the existence of a material uncertainty which may cast significant doubt over the group's ability to continue as a going concern. For the reasons explained in Note 1, the financial statements do not include any adjustments that would result from a failure to obtain continuing and future financial support.

Independent auditors' report to the members of MirriAd Limited (continued)

Opinion
In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities, of the state of the group's and the parent company's affairs as at 30 September 2008 and of the group's loss for the year 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

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
West London
3 April *2009*

MirriAd Limited

GROUP PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 SEPTEMBER 2008

	Note	Year ended 30 September 2008 £	15 month period ended 30 September 2007 £
TURNOVER		**22,990**	5,000
Cost of sales		**(231,086)**	(72,538)
GROSS LOSS		**(208,096)**	(67,538)
General and Administrative expenses		**(1,869,735)**	(520,705)
OPERATING LOSS	2	**(2,077,831)**	(588,243)
Interest receivable and similar income	4(a)	**49,663**	-
Interest payable and similar charges	4(b)	**(130,547)**	775
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		**(2,158,715)**	(587,468)
Taxation on loss on ordinary activities		**-**	-
LOSS FOR THE FINANCIAL YEAR AFTER TAXATION	13	**(2,158,715)**	(587,468)

The operating loss for the year arises from continuing operations.

There are no material differences between the loss on ordinary activities before taxation and the loss for the financial year 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.

GROUP AND COMPANY BALANCE SHEETS AS AT 30 SEPTEMBER 2008

	Note	Group 2008 £	Group 2007 £	Company 2008 £	Company 2007 £
FIXED ASSETS					
Tangible assets	6	**63,320**	7,038	**52,730**	7,038
Intangible assets	7	**814,618**	965,009	**814,618**	965,009
Investments	8	-	-	**1,200**	-
		877,938	972,047	**868,548**	972,047
CURRENT ASSETS					
Debtors	9	**112,538**	26,824	**572,545**	26,824
Cash at bank and in hand		**2,059,152**	1,402,117	**2,051,033**	1,402,117
TOTAL CURRENT ASSETS		**2,171,690**	1,428,941	**2,623,578**	1,428,941
CREDITORS					
Amounts falling due within one year	10	**(344,439)**	(261,066)	**(317,872)**	(261,066)
NET CURRENT ASSETS		**1,827,251**	1,167,875	**2,305,706**	1,167,875
CREDITORS **Amounts falling due after one year**	11	**(5,085,547)**	(2,361,567)	**(5,085,547)**	(2,361,567)
NET LIABILITIES		**(2,380,358)**	(221,645)	**(1,911,293)**	(221,645)
CAPITAL AND RESERVES					
Called up equity share capital	12	**6,384**	6,384	**6,384**	6,384
Share premium	13	**359,439**	359,439	**359,439**	359,439
Profit and loss account	13	**(2,746,181)**	(587,468)	**(2,277,116)**	(587,468)
TOTAL SHAREHOLDERS' DEFICIT	14	**(2,380,358)**	(221,645)	**(1,911,293)**	(221,645)

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 2007).

The financial statements on pages 7 to 20 were approved by the board of directors on 31 March 2009 and were signed on behalf of the Board of Directors

....

Anthony Isaacs
Director

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2008

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 provisions 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 2007). The principal accounting policies, which have been applied consistently throughout the year, are set out below.

Basis of consolidation

The consolidated financial statements are the consolidation of the financial statements of the MirriAd Limited and its subsidiary undertakings MirriAd Advertising Private Limited and MirriAd Inc. All the subsidiaries have uniform accounting policies. Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated.

The company has elected to take the exemption under section 230 of the Companies Act 1985 to not present the parent company profit and loss account. The loss for the year of the company was £1,689,648 (2007: loss of £587,468).

Going concern

At the current stage of its development the Group is dependent on continuing and future support as described below.. The financial statements have been prepared on the going concern basis which assumes that the Group will continue in operational existence for the foreseeable future.

The Group raised £2 million of funding from investors in September 2008 and in order to ensure it can continue its operations in the foreseeable future, management has prepared cash flow projections. These projections take into account the £2m investment in September 2008 from the current principal investors The Directors recognise that the timing and amount of forecast increases in sales activity and sales collections are not guaranteed, and it is likely that the group will require further funding during 2009

The Directors are confident that they will raise the necessary funding and accordingly the Directors believe they have a reasonable expectation that the Group will have sufficient working capital for the foreseeable future. Accordingly, whilst the directors recognise there exists uncertainty as to the outcome of the matters mentioned above, they believe that it is appropriate for the financial statements to be prepared on the going concern basis.

The financial statements do not contain any adjustments that would arise if the financial statements were not drawn up on a going concern basis. If the company or its subsidiaries were unable to continue in operational existence for the foreseeable future, adjustments would have to be made to state the balance sheet values of assets to their recoverable amounts, and to provide for further liabilities that might arise, and to reclassify fixed assets and long term liabilities as current assets and liabilities.

1. Accounting policies (continued)

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 economical 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.

Investment in subsidiary undertakings

Investments in subsidiary undertakings are recorded at cost plus incidental expenses less any provision for impairment. Investments are reviewed for impairment indicators by the directors, on an annual basis and provisions are made where required.

Share based payments, equity warrants and premium on conversion of preferred shares

As permitted under FRSSE (2007), the company is not required to account for share based payments and equity warrants, and any premium on conversion of preferred shares.

'B' preferred shares and preferred dividend

These shares are cumulative convertible participating ordinary shares. They accrue a fixed cumulative dividend on a daily basis and have a preferential right to return of capital on winding up. Given the nature of the 'B' ordinary shares, they are is classified as creditors in accordance with FRSSE (effective 2007) and the presentation requirements of Financial Reporting Standard 25: "Financial Instruments". A dividend is accrued on a daily basis beginning on the date of issue of each 'B' preferred shares and is expensed as interest payable (note 4(b)).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2008 (CONTINUED)

1. Accounting policies (continued)

Operating leases

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged to the profit and loss account on a straight line basis over the lease term.

Research and Development

Research and Development costs are written off in the profit and loss account in the period in which they are incurred.

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. Subsidiary balances are translated into sterling at the date of the balance sheet.

The assets and liabilities of foreign subsidiaries are translated into Sterling at the rate of exchange prevailing at the balance sheet date. Their profit and loss account is translated at average exchange rates for the year. The resulting exchange rate differences are taken to profit and loss account reserve.

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 2007). Consequently the company has taken advantage of the exemption from preparing a cash flow statement.

MirriAd Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2008
(CONTINUED)

2. Operating Loss on ordinary activities before taxation

	Year ended 30 September 2008 £	15 month period ended 30 September 2007 £
Research and development costs	**367,719**	67,253
Set-up costs	**-**	220,318
Amortisation of intangibles (note 7)	**150,391**	87,728
Cost of funding	**86,300**	-
Depreciation on tangible fixed assets (note 6)	**27,073**	3,520
Auditors remuneration – audit services	**7,000**	5,000

3. Staff costs

	Year ended 30 September 2008 £	15 month period ended 30 September 2007 £
Wages and salaries	**992,201**	-
Social security costs	**48,491**	-
Staff benefits	**31,716**	-
	1,072,408	-

The number of employees at end of year amounted to as follows:

By Activity	**Year ended 30 September 2008**	15 month period ended 30 September 2007
General and administrative	**2**	-
Sales and marketing	**10**	
Research and development	**6**	-
	18	-

The average number of persons, excluding directors, employed by the company during the year was 15 (2007: Nil).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2008 (CONTINUED)

3. Directors' emoluments

	Year ended 30 September 2008	15 month period ended 30 September 2007
	£	£
Aggregate emoluments	235,102	76,647

The Group and Company had five directors during the year (2007: Five). The emoluments relating to the highest paid director amounted to £100,477 (2007: £57,856). No other remuneration was paid to directors during the year.

4 (a) Interest receivable and similar income

	Year ended 30 September 2008	15 month period ended 30 September 2007
	£	£
Bank interest received	49,663	775

4 (b) Interest payable and similar charges

	Year ended 30 September 2008	15 month period ended 30 September 2007
	£	£
Preferred dividend (note 10)	(130,547)	-

5. Taxation on loss on ordinary activities

	Year ended 30 September 2008	15 month period ended 30 September 2007
Current tax	£	£
Tax charge for the period at rate of corporation tax in the UK of 30%	-	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2008 (CONTINUED)

Factors affecting tax charge for year

The tax for the year is lower (2007: lower) than the rate of corporation tax in the UK of 30%. The differences are explained below:

	Year ended 30 September 2008 £	15 month period ended 30 September 2007 £
Loss on ordinary activities before tax	(2,158,715)	(587,468)
Loss on ordinary activities multiplied by rate of corporation tax in the UK of 21% (2007: 20%)	(453,330)	(117,494)
Effects of:		
Expenses not deductible	83,300	65,508
Accelerated capital allowances/other timing differences	370,169	54,585
Permanent difference arising from change in rate of corporation tax	(139)	(2,599)
Current tax charge for year	-	-

Factors that may affect future tax charges

The deferred tax asset at 30 September 2008 not recognised in the financial statements of £424,754 (2007: £54,585) consists of £3,436 (2007: £369) excess of capital allowances over depreciation and tax losses of £428,190 (2007: £54,954). The deferred tax asset has not been recognised due to uncertainty regarding sustainable future profits.

6. Tangible fixed assets

Group	**Furniture & fixtures and Computer equipments £**
Cost	
At 1 October 2007	10,558
Additions during the year	83,355
At 30 September 2008	**93,913**
Accumulated depreciation	
At 1 October 2007	(3,520)
Charged during the year	(27,073)
At 30 September 2008	**(30,593)**
Net Book Value	
At 30 September 2007	**7,038**
At 30 September 2008	**63,320**

6. Tangible fixed assets (continued)

Company	**Furniture & fixtures and Computer equipments**
	£
Cost	
At 1 October 2007	10,558
Additions during the year	62,765
At 30 September 2008	**73,323**
Accumulated depreciation	
At 1 October 2007	(3,520)
Charged during the year	(17,073)
At 30 September 2008	**(20,593)**
Net Book Value	
At 30 September 2007	**7,038**
At 30 September 2008	**52,730**

7. Intangible fixed assets

Group and company	**Intellectual Property**
	£
Cost	
At 1 October 2007 and 30 September 2008	**1,052,737**
Accumulated amortisation	
At 1 October 2007	(87,728)
Charged during the year	(150,391)
At 30 September 2008	**(238,119)**
Net Book Value	
At 30 September 2007	**965,009**
At 30 September 2008	814,618

8. Investments

Company – investments in subsidiary companies	£
Cost at 1 October 2007	-
Additions during the year	1,200
Cost at 30 September 2008	**1,200**

The directors consider that no adjustment is required to the impairment provision at 30 September 2008.

During the year the Company had interests in the following investments, all of which are consolidated in the Group financial statements.

Name of subsidiary or group undertaking	Nature of business	Country of registration and operation	Proportion of nominal value of shares and voting rights held
MirriAd Advertising Private Limited	Provision of embedded advertising into video	India	100%
MirriAd Inc.	Provision of embedded advertising into video	U.S.A.	100%

All of the above shares held are ordinary share capital.

9. Debtors – Amounts falling due within one year

	Group At 30 September 2008	Group At 30 September 2007	**Company At 30 September 2008**	Company At 30 September 2007
	£	£	**£**	£
Prepayments	**85,372**	11,075	**40,279**	11,075
Amounts owed by subsidiary undertakings	**-**	-	**505,100**	-
Other tax receivable	**27,166**	15,749	**27,166**	15,749
	112,538	26,824	**572,545**	26,824

10. Creditors – Amounts falling due within one year

	Group At 30 September 2008	Group At 30 September 2007	**Company At 30 September 2008**	Company At 30 September 2007
	£	£	**£**	£
Deferred consideration for purchase of intellectual property (see note 10)	**45,000**	1,500	**45,000**	1,500
Trade creditors	**123,064**	-	**97,965**	-
Accrued expenses	**176,375**	259,566	**174,907**	259,566
	344,439	261,066	**317,872**	261,066

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2008 (CONTINUED)

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

	Group At 30 September 2008 £	Group At 30 September 2007 £	**Company At 30 September 2008 £**	Company At 30 September 2007 £
Deferred consideration for purchase of intellectual property	**955,000**	998,500	**955,000**	998,500
'B' Preferred shares	**4,130,547**	1,363,067	**4,130,547**	1,363,067
	5,085,547	2,361,567	**5,085,547**	2,361,567

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 2008 £	At 30 September 2007 £
Authorised		
10,000,000 'A' Preferred shares of £0.10 each	**1,000,000**	-
9,908,252 'B' Preferred shares of £0.10 each	**990,825**	990,825
Issued, allotted and fully paid		
550,367 'B' Preferred shares of £0.10 each	**50,367**	18,755

On 23 September 2008, the company issued a further 275,482 'B' preferred shares at £7.26783 per share for a total consideration of £2,000,000. 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 than equity.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2008 (CONTINUED)

11. Creditors – Amounts falling due after more than one year (continued)

In addition to a fixed cumulative dividend, the holders of 'B' Shares issued in September 2008 benefit from the following rights which are set out in the current Articles of Association:

- A 1.5 times liquidation preference (triggered on a liquidation, sale or listing of the Company of less than £11.7 million)
- A one times liquidation preference (triggered on a liquidation, sale or listing of the Company of £11.7 million or more)
- An anti-dilution warrant instrument will allow subscribers to subscribe for new cumulative convertible participating A preferred ordinary shares of £0.10 each (the "A Shares") if shares are issued by the Company in the next two years at a price less than that paid by subscribers. The A Shares have the same rights as the B Shares except that they are entitled to 1.0001 votes per share.
- A ratchet warrant instrument will allow subscribers to subscribe for new A Shares at lower valuation if certain milestones are not met.
- A warrant instrument will allow subscribers to subscribe for additional B Shares at a price of £9.08479 per share.

Further, the holders of 'B' shares issued in September 2007 benefit from the following:

- A 1.5 times liquidation preference (triggered on a liquidation, sale or listing of the company)
- The ratchet warrant instrument allows for a reverse ratchet where further B Shares are issued so that the effective valuation is reduced to £2.9 million in the event that the Company achieves less than 50% of all three key business plan targets in the third year post Completion.

12. Called up share capital

	At 30 September 2008 £	At 30 September 2007 £
Authorised		
1,917,480 ordinary shares of £0.01 each	**19,175**	9,175
Issued, allotted and fully paid		
638,430 Ordinary shares of £0.01 each	**6,384**	6,384

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2008 (CONTINUED)

13. Reserves

Group	Share premium £	Profit and loss account £
At 1 October 2007	359,349	(587,468)
Share premium on issue of shares	-	-
Loss for the year	-	(2,158,715)
At 30 September 2008	359,349	(2,746,183)

Company	Share premium £	Profit and loss account £
At 1 October 2007	359,349	(587,468)
Share premium on issue of shares	-	-
Loss for the year	-	(1,689,648)
At 30 September 2008	359,349	(2,277,116)

14. Reconciliation of movements in equity shareholders' deficit

	2008	2007
Group	**£**	£
Loss for the financial year	**(2,158,713**	(587,468)
Net proceeds on issue of share capital	-	365,823
Opening equity shareholders' deficit	**(221,645)**	-
Closing equity shareholders' deficit	**(2,380,358)**	(221,645)

	2008	2007
Company	**£**	£
Loss for the financial year	**(1,689,648)**	(587,468)
Net proceeds on issue of share capital	-	365,823
Opening equity shareholders' deficit	**(221,645)**	-
Closing equity shareholders' deficit	**(1,911,293)**	(221,645)

15. Share based payments

The Share Option Plan was introduced in January 2008. The contractual life of an option is 3 years. Awards under the Plan are generally reserved for employees at senior management level and above and UK employees are currently eligible to participate. The company has made a grant on 25 February 2008. Options granted under the Plan will become exercisable on the third anniversary of the date of grant, subject to continued employment. No performance conditions were included in the fair value calculations. The options are equity-settled. The total number of options issued to nine employees and outstanding as at balance sheet amounted to 144,556 and can be exercised at a price of £0.30 per option.

16. Related party transactions

During the year ended 30 September 2008, the company had the following significant related party transactions which were carried out at arms length:

Stephen Bullock, the chairman, purchased 20,638 'B' shares for a consideration of £150,000 on 23 September 2008 as part of the £2m funding. In common with all those investing £150,000 or more Mr Bullock received an arrangement fee equal to 3%.

As noted in the 2007 financial statements for the company, the Company was charged by Imagineer Systems Limited to the value of £220,318 in relation to the company's incorporation and setup costs. This amount was settled in the year to 30 September 2008.

17. Controlling party

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