MIRRIAD LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2009

REGISTERED NUMBER: 5879899

MirriAd Limited

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COMPANY INFORMATION

Directors
Peter Bazalgette (appointed 14 May 2010 and Chairman from that date)
Stephen Bullock (Chairman to 14 May 2010)
David Fisher (resigned 14 December 2009)
Anmar Kawash (appointed 14 October 2010)
Anthony Isaacs
Michael Penington (appointed 25 January 2010)
Mark Popkiewicz
Bruce Smith (appointed 25 January 2010)
Dennis Wilkinson (resigned 13 May 2010)

Secretary
Anthony Isaacs

Registered office
MirriAd Limited
22 Great James Street
London
WC1N 3ES

Independent Auditor
PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
West London
The Atrium
1 Harefield Road
Uxbridge
UB8 1EX

DIRECTORS' REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2009

The directors present their annual report and audited consolidated financial statements of the group and company for the year ended 30 September 2009

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 broadcasters, 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 TV and internet) The process is managed online using MirriAd's sales platform

Business review and future developments
During the year significant development was carried out in relation to the company's cornerstone technology ZoneSense together with significant improvements to its online sales platform On 1 January 2009 the Company commenced work on the VideoSense project for which it is receiving a grant from the Technology Strategy Board

During July 2009 the Company was successfully in securing approximately £668,000 in funding by way of convertible loan notes (see post balance sheet event below)

The Group was successful in building key relationships with broadcasters, content owners and agencies during the year and delivered several advertising campaigns resulting in sales in the UK, US and India

The Group and Company intends to further develop its ZoneSense technology and online platform and secure further sales contracts in the US, UK and India

Results and dividends
The Group results for the year are shown in the Profit and Loss account on page 7 The loss after tax for the year ended 30 September 2009 was £2,857,025 (year ended 30 September 2008 £2,158,715) A dividend of £260,000 (2008 £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 12, post balance sheet event below and note 19)

Post Balance sheet events
On 31 March 2010 the Company closed funding of approximately £1 6m followed by a second funding of £1 3m on 13 August 2010 Also as part of this funding the share capital of the company was reorganised resulting in i) all ordinary shares becoming deferred shares (and of no economic value) and ii) B shares and convertible loan notes being converted in 2010 ordinary shares As a result of the reorganisation all accrued dividends on the 'B' Shares are forfeited (see note 19) A further £988,000 in funding was raised in November 2010 via a 1 for 5 rights issue at 1p per share

Going concern
The financial statements have been prepared on the going concern basis which assumes that the Group will continue in operational existence in the foreseeable future

The Group has raised £2 9m of funding from investors in March and August 2010 and a further £988,000 by way of a one for five rights issue in November 2010, and sales have increased markedly since 2009 The Group's projections reflect the forecast increases in the level of revenues and costs from the successful implementation of its business strategy The Directors recognise that the timing and amount of increases in revenues and costs is not guaranteed However based on the cash flow forecasts, the Directors are confident that the Company will have sufficient working capital for at least 12 months from the date of approval of these financial statements Accordingly they believe that it is appropriate for the financial statements to be prepared on a going concern basis

DIRECTORS' REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2009 (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 required, these adjustments would be made to the balance sheet of the company to increase or reduce the balance sheet values of assets to their recoverable amounts, to provide for future 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 (unless otherwise noted) were as follows

Peter Bazalgette (appointed 14 May 2010 and Chairman from that date)
Stephen Bullock (Chairman to 14 May 2010)
David Fisher (resigned 14 December 2009)
Anthony Isaacs
Anmar Kawash (appointed 14 October 2010)
Michael Penington (appointed 25 January 2010)
Mark Popkiewicz
Bruce Smith (appointed 25 January 2010)
Dennis Wilkinson (resigned 13 May 2010)

Directors' responsibilities statement 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 prepared the group and parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the company and group for that period In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

DIRECTORS' REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2009 (continued)

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements comply with the Companies Act 2006 They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

The directors are responsible for the maintenance and integrity of the company's website Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

Statement as to disclosure of information to auditors

a) so far as the directors are aware, there is no relevant audit information of which the group's auditors are unaware, and

(b) 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 the group's auditors are aware of that information

This report has been prepared in accordance with the special provisions of Part 15 of the Companies Act 2006 relating to small companies

Independent auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and will be deemed reappointed for the next financial year in accordance with section 478(2) of the Companies Act 2006 unless the Company receives notice under section 488(1) of the Companies Act 2006

On behalf of the Board

Anthony Isaacs
Director
18 November 2010

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 2009 which comprise Group Profit and Loss Account, the Group and Company Balance Sheets and the Accounting Policies and the related notes The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on pages 3 to 4 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose We do not, in giving these opinions, 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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the group's and parent company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the group's and the parent company's affairs as at 30 September 2009 and of the group's loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MIRRIAD LIMITED(continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Terry Hopcroft

Terence Hopcroft (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Uxbridge

18 November 2010

MirriAd Limited

GROUP PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 SEPTEMBER 2009

	Note	Year ended 30 September 2009 £	Year ended 30 September 2008 £
TURNOVER		**16,520**	22,990
Cost of sales		**(43,050)**	(231,086)
GROSS LOSS		**(26,530)**	(208,186)
General and Administrative expenses		**(2,801,246)**	(1,869,735)
OPERATING LOSS	2	**(2,827,776)**	(2,077,831)
Interest receivable	5(a)	**17,230**	49,663
Interest payable and similar charges	5(b)	**(296,421)**	(130,547)
Grant income		**201,060**	-
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		**(2,905,907)**	(2,158,715)
Taxation on loss on ordinary activities	6	**48,882**	-
LOSS FOR THE FINANCIAL YEAR AFTER TAXATION	14	**(2,857,025)**	(2,158,715)

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

MirriAd Limited

GROUP AND COMPANY BALANCE SHEETS AS AT 30 SEPTEMBER 2009

	Note	Group 2009 £	Group 2008 £	Company 2009 £	Company 2008 £
FIXED ASSETS					
Tangible assets	7	**106,976**	63,320	**73,284**	52,730
Intangible assets	8	**664,227**	814,618	**664,227**	814,618
Investments	9	**-**	-	**1,200**	1,200
		771,203	877,938	**738,711**	868,548
CURRENT ASSETS					
Debtors	10	**548,325**	112,538	**2,108,534**	572,545
Cash at bank and in hand		**31,517**	2,059,152	**(101)**	2,051,033
TOTAL CURRENT ASSETS		**579,842**	2,171,690	**2,108,433**	2,623,578
CREDITORS					
Amounts falling due within one year	11	**(1,206,281)**	(344,439)	**(1,080,151)**	(317,872)
NET CURRENT ASSETS		**(626,439)**	1,827,051	**1,028,282**	2,305,706
CREDITORS **Amounts falling due after one year**	12	**(5,382,147)**	(5,085,547)	**(5,382,147)**	(5,085,547)
NET LIABILITIES		**(5,237,383)**	(2,380,358)	**(3,615,154)**	(1,911,293)
CAPITAL AND RESERVES					
Called up equity share capital	13	**6,384**	6,384	**6,384**	6,384
Share premium	14	**359,439**	359,439	**359,439**	359,439
Profit and loss account	14	**(5,603,206)**	(2,746,183)	**(3,980,977)**	(2,277,116)
TOTAL SHAREHOLDERS' DEFICIT	15	**(5,237,383)**	(2,380,358)	**(3,615,154)**	(1,911,293)

These financial statements have been prepared in accordance with the special provisions of Part 15 of the Companies Act 2006 relating to small companies and in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008)

The financial statements on pages 7 to 20 were approved by the board of directors on 18 NOVEMBER 2010 and were signed on behalf of the Board of Directors

Anthony Isaacs
Director

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2009

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 15 of the Companies Act 2006 relating to small companies and in accordance with the Financial Reporting Standards for smaller entities (effective April 2008) The principal accounting policies, which have been applied consistently throughout the year, are set out below

Going concern

The financial statements have been prepared on the going concern basis which assumes that the Group will continue in operational existence in the foreseeable future

The Group has raised £2 9m of funding from investors in March and August 2010 and a further £988,000 by way of a one for five rights issue in November 2010, and sales have increased markedly since 2009 The Group's projections reflect the forecast increases in the level of revenues and costs from the successful implementation of its business strategy The Directors recognise that the timing and amount of increases in revenues and costs is not guaranteed However based on the cash flow forecasts, the Directors are confident that the Company will have sufficient working capital for at least 12 months from the date of approval of these financial statements Accordingly they believe that it is appropriate for the financial statements to be prepared on a 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 required, these adjustments would be made to the balance sheet of the company to increase or reduce the balance sheet values of assets to their recoverable amounts, to provide for future liabilities that might arise and to reclassify fixed assets and long term liabilities as current assets and liabilities

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 398 of the Companies Act 2006 to not present the parent company profit and loss account The loss for the year of the company was £1,703,861 (2008 loss of £1,689,648)

Turnover and revenue recognition

Turnover represents the value (excluding Value Added Tax) of fees for the services 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

1. Accounting policies (continued)

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 (2008), 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 classified as creditors in accordance with FRSSE (effective 2008) 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 5(b)) As a result of the post year end reorganisation noted in the Directors' Report all accrued dividends on the B shares were forfeited (see note 19)

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2009 (CONTINUED)

1. Accounting policies (continued)

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 currencies 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 The transactions of subsidiaries are translated into sterling using the temporal method The transactions are translated into sterling at the average monthly rate Exchange losses arising are taken to profit and loss

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

Grant income

Government grants are recognised in the profit and loss account when the conditions for receipt have been complied with and there is reasonable assurance that the grant will be received so as to match such receipt with the expenditure toward which they are intended to contribute

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

Convertible loan notes

Convertible loan notes are separately classified as liabilities and the finance cost (being the difference between the net proceeds of the notes and the total amount of payments the company is required to make) is amortised pro-rata over the period of the notes, and charged to the profit and loss account The notes are initially stated at the net proceeds received, and the carrying amount of the note increased by the accrued finance cost

2. Operating Loss on ordinary activities before taxation

	Year ended 30 September 2009 £	Year ended 30 September 2008 £
Research and development costs	**527,628**	367,719
Amortisation of intangibles (note 8)	**150,391**	150,391
Cost of funding	-	86,300
Depreciation on tangible fixed assets (note 7)	**36,460**	27,073
Auditors remuneration – audit services	**7,000**	7,000

3. Staff costs

	Year ended 30 September 2009 £	Year ended 30 September 2008 £
Wages and salaries	**1,313,863**	992,201
Social security costs	**126,160**	48,491
Staff benefits	**26,476**	31,716
	1,466,499	1,072,408

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

By Activity

	Year ended 30 September 2009	Year ended 30 September 2008
General and administrative	**2**	2
Sales and marketing	**14**	10
Research and development	**9**	6
	25	18

The average number of persons, excluding directors, employed by the company during the year was 22 (2008 15)

Included in the above costs are certain staff costs relating to the period to 30 September 2009 that were paid in 2010 under a staff deferral plan should the Company close funding Such payments were triggered by the funding closed in March 2010 (see note 19) Under the plan staff accepted reduced remuneration in return for full repayment upon the completion of a fundraise exceeding £1m together with a 100% uplift for amounts deferred in excess of 10% of remuneration The total amounts accrued under this plan as at 30 September 2009 were £59,042 and all payments under the plan were made in 2010

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2009 (CONTINUED)

4. Directors' emoluments

	Year ended 30 September 2009 £	Year ended 30 September 2008 £
Aggregate emoluments	**400,915**	**235,102**

The Group and Company had five directors during the year (2008 Five) The emoluments relate highest paid director amounted to £187,917 (2008 £100,477) No other remuneration was paid to directors during the year The above emoluments include £44,583 relating to the staff deferral plan as described in note 3 page 12

5 (a) Interest receivable and grant income

	Year ended 30 September 2009 £	Year ended 30 September 2008 £
Bank interest received	**17,230**	49,663

5 (b) Interest payable and similar charges

	Year ended 30 September 2009 £	Year ended 30 September 2008 £
Preferred dividend (note 12)	**(260,000)**	(130,547)
Finance cost of convertible loan note (note 11)	**(29,062)**	-
Foreign Exchange	**(7,359)**	-
	(296,421)	(130,547)

6. Taxation on loss on ordinary activities

	Year ended 30 September 2009 £	Year ended 30 September 2008 £
Current tax		
Tax charge for the period at rate of corporation tax in the UK of 28% (2008 30%)	-	-
Research and development tax credit	**48,882**	-
	48,882	-

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

Factors affecting tax charge for year

The tax for the year dıffers from the standard rate of corporatıon tax ın the Unıted Kıngdom of 21 0% (2008 21%) The dıfferences are explaıned below

	Year ended 30 September 2008 £	Year ended 30 September 2008 £
Loss on ordınary actıvıtıes before tax	(2,905,907)	(2,158,715)
Loss on ordınary actıvıtıes multıplıed by rate of corporatıon tax ın the UK of 21% (2008 21%)	(610,240)	(453,330)
Effects of		
Expenses not deductıble	9,914	83,300
Accelerated capıtal allowances/other tımıng dıfferences	600,326	370,169
Permanent dıfference arısıng from change ın rate of corporatıon tax	-	(139)
Research and development tax credıt	(48,882)	-
Current tax credit for year	**(48,882)**	-

Factors that may affect future tax charges

The deferred tax asset at 30 September 2009 not recognısed ın the financıal statements of £970,495 (2008 £424,754) consısts of £3,872 (2008 £3,436) excess of capıtal allowances over deprecıatıon and tax losses of £974,367(2008 £428,190) The deferred tax asset has not been recognısed due to uncertaınty regardıng sustaınable future profits

7. Tangıble fixed assets

Group	**Furnıture & fixtures and Computer equipments £**
Cost	
At 1 October 2008	93,913
Addıtıons durıng the year	80,116
At 30 September 2009	**174,029**
Accumulated depreciation	
At 1 October 2008	(30,593)
Charged durıng the year	(36,460)
At 30 September 2009	**(67,053)**
Net Book Value	
At 30 September 2008	**63,320**
At 30 September 2009	**106,976**

MirriAd Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2009 (CONTINUED)

7. Tangible fixed assets (continued)

Company	**Furniture & fixtures and Computer equipments**
	£
Cost	
At 1 October 2008	**73,323**
Additions during the year	**46,243**
At 30 September 2009	**119,566**
Accumulated depreciation	
At 1 October 2008	**(20,593)**
Charged during the year	**(25,689)**
At 30 September 2009	**(46,282)**
Net Book Value	
At 30 September 2008	**52,730**
At 30 September 2009	**73,284**

8. Intangible fixed assets

Group and company	**Intellectual Property**
	£
Cost	
At 1 October 2008 and 30 September 2009	**1,052,737**
Accumulated amortisation	
At 1 October 2008	(238,119)
Charged during the year	(150,391)
At 30 September 2009	**(388,510)**
Net Book Value	
At 30 September 2008	**814,618**
At 30 September 2009	**664,227**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2009 (CONTINUED)

9. Investments

Company – investments in subsidiary companies	£
Cost at 1 October 2008	1,200
Additions during the year	-
Cost at 30 September 2009	**1,200**

The directors consider that no adjustment is required to the impairment provision at 30 September 2009

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

10. Debtors – Amounts falling due within one year

	Group At 30 September 2009	Group At 30 September 2008	**Company At 30 September 2009**	Company At 30 September 2008
	£	£	**£**	£
Prepayments	**78,586**	85,372	**54,585**	40,279
Amounts owed by subsidiary undertakings	-	-	**1,584,210**	505,100
Other debtors (see note 11)	**467,794**		**467,794**	-
Other tax receivable	**1,945**	27,166	**1,945**	27,166
	548,325	112,538	**2,108,534**	572,545

11. Creditors – Amounts falling due within one year

	Group At 30 September 2009	Group At 30 September 2008	**Company At 30 September 2009**	Company At 30 September 2008
	£	£	**£**	£
Deferred consideration for purchase of intellectual property (see note 12)	**8,400**	45,000	**8,400**	45,000
Trade creditors	**130,753**	123,064	**124,478**	97,965
Accrued expenses	**369,635**	176,375	**249,780**	174,907
Convertible loan notes	**697,493**	-	**697,493**	-
	1,206,281	344,439	**1,081,151**	317,872

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2009 (CONTINUED)

11. Creditors – Amounts falling due within one year (continued)

On 30 July 2009 the company issued £668,431 of secured Convertible Loan Notes The Notes were secured by way of a fixed and floating charge in favour of Noteholders The Loan Notes were redeemable on 1 July 2011, or on a change of control, or following a material breach of any of the terms or conditions On redemption the company was required to pay to the Noteholders 150% of the principal amount and the finance cost of £29,062 (2008 nil) based on this 50% premium has been charged to the profit and loss account for the period to 30 September 2009 (see note 5(b)) Each Note holder also had the right to convert all outstanding Notes into fully paid shares on the earlier of (a) the next fund raising, at the conversion price into Senior Shares at a 20% discount to the price paid in the fundraising, or (b) on 1 July 2011 or on a change of control, into B Preferred Shares, at £7 26783 per share Post year end the convertible loan notes were satisfied in full following their conversion in 2010 ordinary shares (see note 19) Included in other debtors is a balance of £411,391 relating to convertible loan notes receivable, this amount was held by the company's solicitors in their client account on behalf of the company and drawn down as required based on Board approval The amount was fully drawn down in cash post year end

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

	Group At 30 September 2009 £	Group At 30 September 2008 £	**Company At 30 September 2009 £**	Company At 30 September 2008 £
Deferred consideration for purchase of intellectual property	**991,600**	955,000	**991,600**	955,000
'B' Preferred shares	**4,390,547**	4,130,547	**4,390,547**	4,130,547
	5,382,147	5,085,547	**5,382,147**	5,085,547

Deferred consideration

The deferred consideration relates to the purchase of intellectual property in February 2007 The company purchased licensed software from Imagineer Systems Limited The purchase consideration agreed pursuant to a sale and purchase agreement and intellectual property licence agreement amounted to £1,052,737 of which £52,737 was settled in 2007 The balance of the consideration of £1m was deferred and is payable 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 (i e February 2014), the entire outstanding balance will fall due at this time

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

'B' Preferred shares

	At 30 September 2009 £	At 30 September 2008 £
Authorised		
10,000,000 'A' Preferred shares of £0 10 each	**1,000,000**	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**	50,367

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2009 (CONTINUED)

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

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 as at 30 September 2009 Post year end all B Preferred shares were converted in 2010 ordinary shares (see note 19)

13. Called up share capital

	At 30 September 2009	At 30 September 2008
	£	£
Authorised		
1,917,480 ordinary shares of £0 01 each	**19,175**	19,175
Issued, allotted and fully paid		
638,430 Ordinary shares of £0 01 each	**6,384**	6,384

14. Reserves

Group	**Share premium**	**Profit and loss account**
	£	**£**
At 1 October 2008	359,349	(2,746,181)
Loss for the year	-	(2,857,025)
At 30 September 2009	**359,349**	**(5,603,206)**

Company	**Share premium**	**Profit and loss account**
	£	**£**
At 1 October 2008	359,349	(2,277,116)
Loss for the year	-	(1,732,923)
At 30 September 2009	**359,349**	**(3,980,977)**

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2009 (CONTINUED)

15. Reconciliation of movements in equity shareholders' deficit

	2009	2008
Group	**£**	£
Loss for the financial year	**(2,857,025)**	(2,158,713)
Opening equity shareholders' deficit	**(2,380,358)**	(221,645)
Closing equity shareholders' deficit	**(5,237,383)**	(2,380,358)

	2009	2008
Company	**£**	**£**
Loss for the financial year	**(1,703,861)**	(1,689,648)
Opening equity shareholders' deficit	**(1,911,293)**	(221,645)
Closing equity shareholders' deficit	**(3,615,154)**	(1,911,293)

16. Share Based Payments

The share option plan was introduced in January 2008 and options have a contractual life of up to 10 years Awards under the plan are generally reserved for employees at senior management level or above and UK employees are currently eligible to participate The company made further grants 1 July 2009 and 11 September 2009 (2008 - 25 January 2008) In most cases options granted under the Plan will become exercisable on the third anniversary on the date of grant, subject to continued employment All options will vest on an exit No performance conditions were included in the fair value calculations The options are equity settled The total number of options issued to employees and outstanding as at the balance sheet amounted to 233,574 and can be exercised at a price of either £0 30 or £0 60 per option

As a result of the reorganisation of share capital as set out in note 19 all options lapsed in March 2010

17. Related party transactions

During the year ended 30 September 2009, the company had the following significant related party transactions which were carried out at arms length

Stephen Bullock, the chairman at the time, purchased 110,462 convertible loan notes (par value of £1 each) as part of the convertible loan note funding

18. Controllıng party

No sıngle shareholder has a controllıng ınterest and no sıngle party ıs consıdered as a controllıng party of the company

19. Post balance sheet event

On 31 March 2010 the Company completed the first close of a new fundraıse raısıng £1 6m ın new funds In order to complete the first close the Company's exıstıng share capıtal was sımplıfied as follows,

- All exıstıng ordınary shares were converted ınto deferred shares, the rıghts attachıng to these deferred shares means that that they are, for all practıcal purposes, worthless
- 'B' Preferred shares were converted ınto new 2010 ordınary shares at a rate of ı) approxımately 18 new 2010 ordınary shares for every 'B' Preferred share held for those 'B' Preferred shareholders who subscrıbed for shares ın 2007 and ıı) approxımately 404 new 2010 ordınary shares for every 'B' Preferred share held for those 'B' Preferred shareholders who subscrıbed for shares ın 2008
- All convertıble loan notes were converted ınto 2010 ordınary shares at a premıum of 20% whereby all of the 668,431 loan notes (of £1 each) ın ıssue were converted to 83,553,900 ordınary shares at valued at £0 01 each (£835,539)

As a result of the above sımplıficatıon a total of 200,000,000 of 2010 ordınary shares were ıssued to B preferred shareholders and convertıble loan note holders at £0 01 (par value), valuıng the company on 31 March on a pre-monev basıs at £2m

On 13 August 2010 a further £1 3m was raısed by way of a second close

A further £988,000 ın fundıng was raısed ın November 2010 vıa a 1 for 5 rıghts ıssue at 1p per share