MIRRIAD LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2010

REGISTERED NUMBER: 5879899

MirriAd Limited

Table of contents **Page**

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

MirriAd Limited

DIRECTORS' REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2010

The directors present their annual report and audited consolidated financial statements of the group and company for the year ended 30 September 2010

Principal activity
MirriAd Limited is engaged in the provision of embedded advertising into video which can also be described as digital product placement The principal activity of the company comprised the development of the unique technology required to embed advertising imagery into video and the use of this technology to provide such embedded advertising services to broadcasters, advertisers and brand owners, and their agencies The company assists in the sourcing of video content inventory as well as digitally embedding branded advertising into such 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 30 September 2010 the Company successfully completed work on the VideoSense project for which it received a grant from the Technology Strategy Board The Company intends to apply for further technology related grants in its relevant field of expertise, if and when available

On 31 March 2010 the Company closed funding of approximately £1 6m followed by a second funding of £1 3m on 13 August 2010 £300,000 of the £1 6m funding closed on 31 March 2010 was advanced by certain investors by way of a bridge loan in January 2010 (see note 13) Also as part of the 31 March 2010 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) cumulative convertible participating preferred ordinary shares ('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 up to 31 March 2010 have been treated as consideration for the 2010 ordinary shares and classified within share premium Furthermore a finance charge has been recognised in relation to the convertible loan notes in order to bring the carrying value of the notes up to the nominal value of 2010 ordinary shares issued to loan note holders on 31 March 2010 (see notes 5b, 14 and 15)

The Group was successful in building key relationships with broadcasters and agencies during the year and signed a number of contracts resulting in sales in the UK, EU, US and India The Group and Company intends to further develop its ZoneSense technology and online platform and secure further sales contracts

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 2010 was £2,782,688 (year ended 30 September 2009 £2,857,025) The dividends payable at 6 5% on the 'B' Shares have been accrued up to 31 March 2010 The dividends accrued during the year amounted to £130,000 (2009 £260,000) and are classed as interest in the profit and loss account in accordance with FRS 25 (see note 12) As a result of the share restructure all accrued dividends on the 'B' shares have been recorded within share premium

Post Balance sheet events
£988,000 in funding was raised in November 2010 via a 1 for 5 rights issue at 1p per share

DIRECTORS' REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2010 (continued)

Going concern (continued)
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 raised £2 9m of funding from investors during the year and a further £988,000 by way of a one for five rights issue in November 2010, and sales have increased markedly since 2010 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

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 2010 (continued)

Directors' responsibilities statement in respect of the Annual Report and the financial statements (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
24 March 2011

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 2010 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 2010 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

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

24 March 2011

GROUP PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 SEPTEMBER 2010

	Note	**Year ended 30 September 2010 £**	Year ended 30 September 2009 £
TURNOVER		**157,820**	16,520
Cost of sales		**(86,045)**	(43,050)
GROSS PROFIT/(LOSS)		**71,775**	(26,530)
General and Administrative expenses		**(2,807,800)**	(2,801,246)
OPERATING LOSS	2	**(2,736,025)**	(2,827,776)
Interest receivable	5(a)	**-**	17,230
Interest payable and similar charges	5(b)	**(280,645)**	(296,421)
Grant income		**214,650**	201,060
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		**(2,802,020)**	(2,905,907)
Taxation on loss on ordinary activities	6	**19,332**	48,882
LOSS FOR THE FINANCIAL YEAR AFTER TAXATION	14	**(2,782,688)**	(2,857,025)

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 2010

	Note	Group 2010 £	Group 2009 £	Company 2010 £	Company 2009 £
FIXED ASSETS					
Tangible assets	7	**123,704**	106,976	**97,402**	73,284
Intangible assets	8	**-**	664,227	**-**	664,227
Investments	9	**-**	-	**1,200**	1,200
		123,704	771,203	**98,602**	738,711
CURRENT ASSETS					
Debtors	10	**266,216**	548,325	**2,449,446**	2,108,534
Cash at bank and in hand		**1,117,772**	31,517	**1,078,102**	(101)
TOTAL CURRENT ASSETS		**1,383,988**	579,842	**3,527,548**	2,108,433
CREDITORS					
Amounts falling due within one year	11	**(287,626)**	(1,206,281)	**(283,864)**	(1,080,151)
NET CURRENT ASSETS		**1,096,362**	(626,439)	**3,243,684**	1,028,282
CREDITORS Amounts falling due after one year	12	**(942,986)**	(5,382,147)	**(942,986)**	(5,382,147)
NET ASSETS		**277,079**	(5,237,383)	**2,399,300**	(3,615,154)
CAPITAL AND RESERVES					
Called up equity share capital	13	**4,947,488**	6,384	**4,947,488**	6,384
Share premium	14	**3,715,525**	359,439	**3,715,525**	359,439
Profit and loss account	14	**(8,385,894)**	(5,603,206)	**(6,263,673)**	(3,980,977)
TOTAL SHAREHOLDERS' DEFICIT	15	**277,079**	(5,237,383)	**2,399,300**	(3,615,154)

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 2010)

The financial statements on pages 7 to 20 were approved by the board of directors on 24 MARCH 2011 and were signed on behalf of the Board of Directors

Anthony Isaacs
Director

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2010

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 raised £2 9m of funding from investors during the year and a further £988,000 by way of a one for five rights issue in November 2010, and sales have increased markedly since 2010 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 £2,282,696 (2009 loss of £1,703,861)

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

Leasehold improvements – over the minimum lease term

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 was being amortised over a period of seven years, however as a result of a review of the economic useful life the Board has determined that is appropriate to write off the intangible asset in full in 2010

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

As a result of the reorganisation noted in the Directors' Report all accrued dividends on the B Shares up to 31 March 2010 are treated as consideration for the 2010 Ordinary Shares issued to the holders of B shares This fixed cumulative dividend has been accrued on a daily basis The B Shares also had a preferential right to return of capital on winding up Given the nature of the 'B' ordinary shares, in prior years they were classified as creditors in accordance with FRSSE (effective 2008) and the presentation requirements of Financial Reporting Standard 25 "Financial Instruments" The dividend was accrued on a daily basis beginning on the date of issue of each 'B' preferred shares and was expensed as interest payable

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 2010 (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

As a result of the reorganisation during the year all convertible loan notes were converted in 2010 Ordinary shares Prior to 2010 convertible loan notes were 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) was amortised pro-rata over the period of the notes, and charged to the profit and loss account The notes were initially stated at the net proceeds received, and the carrying amount of the note increased by the accrued finance cost up to the date of conversion At the date of conversion an additional finance cost has been recognised so that the carrying value of the notes is equal to the par value of 2010 Ordinary Shares issued to the loan note holders

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2010 (CONTINUED)

2. Operatıng Loss on ordinary activities before taxatıon

	Year ended 30 September 2010 £	Year ended 30 September 2009 £
Research and development costs	**393,516**	527,628
Amortısatıon of ıntangıbles (note 8)	**664,227**	150,391
Depreciatıon on tangıble fixed assets (note 7)	**60,744**	36,460
Audıtors remuneratıon – audıt servıces	**13,000**	7,000

3. Staff costs

	Year ended 30 September 2010 £	Year ended 30 September 2009 £
Wages and salarıes	**1,032,666**	1,313,863
Socıal securıty costs	**126,347**	126,160
Staff benefits	**14,804**	26,476
	1,173,817	1,466,499

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

By Activity

	Year ended 30 September 2010	Year ended 30 September 2009
General and admınıstratıve	**2**	2
Sales and marketıng	**20**	14
Research and development	**8**	9
	30	25

The average number of persons, excludıng dırectors, employed by the company durıng the year was 24 (2009 22)

Included ın the above costs are certaın staff costs relatıng to the perıod to 30 September 2010 that were paıd ın 2010 under a staff deferral plan should the Company close fundıng Such payments were trıggered by the fundıng closed ın March 2010 Under the plan staff accepted reduced remuneratıon ın return for full repayment upon the completıon of a fundraıse exceedıng £1m together wıth a 100% uplıft for amounts deferred ın excess of 10% of remuneratıon A number of staff ıncludıng two dırectors receıved 2010 ordınary shares ın the Company ınstead of receıvıng the net, cash proceeds due to them under the plan Such net cash proceeds were applıed to the purchase of shares after the approprıate deductıon of relevant Pay As You Earn taxes and Natıonal Insurance (see Related Party Transactıons ın Note 17, page 20)

MirriAd Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2010
(CONTINUED)

4. Directors' emoluments

	Year ended 30 September 2010 £	Year ended 30 September 2009 £
Aggregate emoluments	**351,249**	400,915

The Group and Company had eight directors during the year (2009 Five) The emoluments include monitoring fees payable to the director in person or payable to funds over which they have a controlling inertest The emoluments relating to the highest paid director amounted to £128,230 (2009 £187,917) No other remuneration was paid to directors during the year The above emoluments include £143,077 due to the staff deferral plan as described in note 3 page 12 i e the full repayment of deferred remuneration up to 10% and a 100% uplift on amounts deferred in excess of 10% of remuneration

5 (a) Interest receivable and grant income

	Year ended 30 September 2010 £	Year ended 30 September 2009 £
Bank interest received	**-**	17,230

5 (b) Interest payable and similar charges

	Year ended 30 September 2010 £	Year ended 30 September 2010 £
Bridge Loan Interest	**(6,201)**	-
Preferred dividend (note 12)	**(130,000)**	(260,000)
Finance cost of convertible loan note (note 11)	**(138,046)**	(29,062)
Foreign Exchange	**(6,398)**	(7,350)
	(280,645)	(296,421)

The bridge loan interest was paid in relation to advance funding provided to the Company by certain institutional investors in January 2010 prior to completion of the £1 6m funding on 31 March 2010 (see note 13

6. Taxation on loss on ordinary activities

Current tax	**Year ended 30 September 2010 £**	Year ended 30 September 2009 £
Tax charge for the period at rate of corporation tax in the UK of 21% (2009 21%)	-	-
Research and development tax credit	19,332	48,882
	19,332	48,882

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2010 (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% (2009 21%) The dıfferences are explaıned below

	Year ended 30 September 2010 £	Year ended 30 September 2009 £
Loss on ordınary actıvıtıes before tax	(2,802,020)	(2,905,907)
Loss on ordınary actıvıtıes multıplıed by rate of corporatıon tax ın the UK of 21% (2009 21%)	(588,424)	(610,240)
Effects of		
Expenses not deductıble	43,950	9,914
Accelerated capıtal allowances/other tımıng dıfferences	544,474	600,326
Permanent dıfference arısıng from change ın rate of corporatıon tax	-	-
Research and development tax credıt	(19,332)	(48,882)
Current tax credit for year	**(19,332)**	(48,882)

Factors that may affect future tax charges

The deferred tax asset at 30 September 2010 not recognısed ın the financıal statements of £1,113,678 (2009 £945,858) consısts of £4,361 (2009· £3,872) excess of capıtal allowances over depreciatıon and tax losses of £1,118,039 (2009 £949,730) The deferred tax asset has not been recognısed due to uncertaınty regardıng sustaınable future profits

7. Tangible fixed assets

Group	**Furniture & fixtures and Computer equipments £**
Cost	
At 1 October 2010	174,029
Addıtıons durıng the year	77,471
At 30 September 2010	**251,500**
Accumulated depreciation	
At 1 October 2010	(67,053)
Charged durıng the year	(60,744)
At 30 September 2010	**(127,797)**
Net Book Value	
At 30 September 2009	**106,976**
At 30 September 2010	**123,703**

7. Tangible fixed assets (continued)

Company	**Furniture & fixtures and Computer equipments**
	£
Cost	
At 1 October 2010	119,566
Additions during the year	61,738
At 30 September 2010	**181,304**
Accumulated depreciation	
At 1 October 2010	(46,282)
Charged during the year	(37,620)
At 30 September 2010	**(83,902)**
Net Book Value	
At 30 September 2009	**73,284**
At 30 September 2010	**97,402**

8. Intangible fixed assets

Group and company	**Intellectual Property**
	£
Cost	
At 1 October 2010 and 30 September 2010	**1,052,737**
Accumulated amortisation	
At 1 October 2010	(388,510)
Charged during the year	(664,227)
At 30 September 2010	**(1,052,737)**
Net Book Value	
At 30 September 2009	**664,227**
At 30 September 2010	**-**

The intangible asset was being amortised over a period of seven years, however as a result of a review of the economic useful life the Board has determined that is appropriate to write off the intangible asset in full in 2010

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2010
(CONTINUED)

9. Investments

Company – investments in subsidiary companies	**£**
Cost at 1 October 2010	**1,200**
Additions during the year	**-**
Cost at 30 September 2010	**1,200**

The directors consider that no adjustment is required to the impairment provision at 30 September 2010

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 2010	Group At 30 September 2009	**Company At 30 September 2010**	Company At 30 September 2009
	£	£	**£**	£
Trade Debtors	**3,958**	-	**3,958**	-
Prepayments	**115,563**	78,586	**60,593**	54,585
Amounts owed by subsidiary undertakings	**-**	-	**2,238,200**	1,584,210
Other debtors (see note 11)	**117,546**	467,794	**117,546**	467,794
Research and development tax credit	**19,332**	-	**19,332**	-
Other tax receivable	**9,817**	1,945	**9,817**	1,945
	266,216	548,325	**2,449,446**	2,108,534

11. Creditors – Amounts falling due within one year

	Group At 30 September 2010	Group At 30 September 2009	**Company At 30 September 2010**	Company At 30 September 2009
	£	£	**£**	£
Deferred consideration for purchase of intellectual property (see note 12)	**53,513**	8,400	**53,513**	8,400
Trade creditors	**97,311**	130,753	**97,150**	124,478
Accrued expenses	**136,802**	369,635	**133,201**	249,780
Convertible loan notes	**-**	697,493	**-**	697,493
	287,626	1,206,281	**283,264**	1,081,151

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2010 (CONTINUED)

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

The Convertible Loan Notes were issued on 30 July 2009 and the net proceeds at date of issue amounted to £668,431 They were secured by way of a fixed and floating charge in favour of Noteholders and were redeemable on 1 July 2011 with a 50% premium or, in the event of a new capital raise, the Loan Notes were convertible into equity at a 20% discount to the price of the new equity raised The Notes were satisfied in full following their conversion into 2010 ordinary shares on 31 March 2010 During the period to 31 March 2010 the Company has recognised the finance cost of £138,046 (2009 £29,062) comprised of i) the finance costs relating to the 50% premium payable and ii) an adjustment to adjust the carrying value of the loan notes to equal the par value of the 2010 ordinary shares issued to Noteholders (as the new equity raised was issued at an effective 20% discount to the par value) For the year ended 30 September 2009 the finance cost was solely based on a 50% premium payable to Noteholders in the event of redemption Included in other debtors in 2009 there was 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 during the year

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

	Group At 30 September 2010	Group At 30 September 2009	**Company At 30 September 2010**	Company At 30 September 2009
	£	£	**£**	£
Deferred consideration for purchase of intellectual property	**942,986**	991,600	**942,986**	991,600
'B' Preferred shares	-	4,390,547	-	4,390,547
	942,986	5,382,147	**942,986**	5,382,147

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 (see note 11) is estimated based on the estimated revenue for the subsequent year

'B' Preferred shares

	At 30 September 2010	At 30 September 2009
	£	**£**
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
Issued, allotted and fully paid		
550,367 'B' Preferred shares of £0 10 each	-	50,367

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 2010 (CONTINUED)

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

During the year all B Preferred shares were converted in 2010 ordinary shares Each 'B' Preferred shareholder was 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 had the ability to convert the shares into ordinary shares at their discretion Considering the above, 'B' preferred shares were classified as debt rather than equity in prior years

13. Called up share capital

Following the adoption of during the year of new articles of association the Company no longer has specified authorised share capital (2009 authorised share capital 1,917,480 ordinary shares of £0 01 each totalling £19,175)

	At 30 September 2010 £	At 30 September 2009 £
Issued, allotted and fully paid		
638,430 Ordinary shares of £0 01 each	-	6,384
638,430 Deferred shares of £0 01 each	6,384	-
494,106,425 "2010" Ordinary shares of £0 01 each	4,941,064	-
	4,947,448	6,384

As a result of the conversion of 'B' preferred shares and convertible loan notes on 31 March 2010 the Company issued 83,553,900 "2010" Ordinary shares at par to loan note holders and 116,446,100 "2010" Ordinary shares at par to 'B' shareholders New funding of £1 55m on 31 March 2010 resulted in the issue of 155,126,560 "2010" ordinary shares at par and of this £1 55m, £300,000 was advanced to the Company by certain institutional investors in the form of a bridging loan in January 2010 (see note 5(b)) Subsequent funding of £1 4m resulted in the issue of 138,979,865 "2010" ordinary shares at par

14. Reserves

Group	**Share premium** £	**Profit and loss account** £
At 1 October 2009	359,349	(5,603,206)
Loss for the year	-	(2,782,688)
Adjustment resulting from share restructure	3,356,086	-
At 30 September 2010	3,715,525	(8,385,894)

Company	**Share premium** £	**Profit and loss account** £
At 1 October 2009	359,349	(3,980,977)
Loss for the year	-	(2,282,696)
Adjustment resulting from share restructure	3,356,086	-
At 30 September 2010	3,715,525	(6,263,673)

The share premium adjustment resulting from the share restructure arises as the carrying value of B shares as at 31 March 2010 was £4,520,547 (including accrued dividends) whereas the par value of the 116, 446,100 2010 Ordinary Shares issued to B shareholders in exchange was £1,164,461

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2010
(CONTINUED)

15. Reconcıliation of movements in equity shareholders' deficıt

	2010	2009
Group	**£**	£
Loss for the financıal year	**(2,782,688)**	(2,857,025)
Increase ın called up share capıtal	**4,941,064**	-
Increase ın share premıum	**3,356,086**	-
Openıng equıty shareholders' deficıt	**(5,237,383)**	(2,380,358)
Closıng equıty shareholders' surplus/(deficıt)	**277,079**	(5,237,383)

	2010	2009
Company	**£**	**£**
Loss for the financıal year	**(2,282,696)**	(1,703,861)
Increase ın called up share capıtal	**4,941,064**	-
Increase ın share premıum	**3,356,086**	-
Openıng equıty shareholders' deficıt	**(3,615,154)**	(1,911,293)
Closıng equıty shareholders' deficıt	**(2,399,300)**	(3,615,154)

16. Share Based Payments

As a result of the share reorganısatıon on 31 March 2010 all exıstıng optıons have lapsed The orıgınal share optıon plan (Old Plan) was ıntroduced ın January 2008 and the optıons granted thereunder had a contractual lıfe of up to 10 years at the tıme of grant A new share optıon plan had not been ımplemented as at 30 September 2010 Awards under the Old Plan were generally reserved for employees at senıor management level or above and UK employees were currently elıgıble to partıcıpate The company made no grants under the Old Plan durıng the year (2009 - grants made on 1 July 2009 and 11 September 2009) In most cases optıons granted under the Old Plan were exercısable on the thırd annıversary on the date of grant, subȷect to contınued employment All optıons were to vest on an exıt No performance condıtıons were ıncluded ın the faır value calculatıons and the optıons were equıty settled No optıons had been were outstandıng as at the balance sheet (2009 - 233,574) The optıons under the Old Plan, prıor to theır lapse on 31 March 2010, could be exercısed at a prıce of eıther £0 30 or £0 60 per optıon

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2010 (CONTINUED)

17. Related party transactions

During the year ended 30 September 2010, the company had the following significant related party transactions which were carried out at arms length

Party	Relationship	Transaction details
Peter Bazalgette	Chairman from 14 May 2010 and non executive director	• Purchase of 10,000,000 "2010" ordinary shares at 1p per share on 18 May 2010
Stephen Bullock	Chairman to 14 May 2010 and non executive director	• Allotment of 22,624,179 "2010" ordinary shares at 1p per share due to share reorganisation • Purchase of 21,400,000 "2010" ordinary shares at 1p per share on 31 March 2010 • Purchase of 625,000 "2010" ordinary shares at 1p per share on 13 August 2010
Anthony Isaacs	Director	• Purchase of 1,700,000 "2010" ordinary shares at 1p per share by application of net cash proceeds from staff deferral plan on 31 March 2010
Michael Penington	Director with controlling interest in Oxford Technology ECF LP (OTECF) an investor in the Company	• Provision of a bridge loan of £170,000 (being part of the £300,000 advanced to the Company - see note 13) in January 2010 • Allotment of 61,734,183 "2010" ordinary shares at 1p per share to OTECF due to share reorganisation • Purchase of 50,900,817 "2010" ordinary shares at 1p per share by OTECF on 31 March 2010 (including £170,000 bridge loan pus interest as part consideration)
Mark Popkiewicz	Director	• Purchase of 1,850,000 "2010" ordinary shares at 1p per share by application of net cash proceeds from staff deferral plan on 31 March 2010
Bruce Smith	Non executive director	• Allotment of 25,173,920 "2010" ordinary shares at 1p per share due to share reorganisation on 31 March 2010 • Purchase of 20,150,000 "2010" ordinary shares at 1p per share on 31 March 2010
Dennis Wilkinson	Director	• Allotment of 62,503 "2010" ordinary shares at 1p per share due to share reorganisation

Monitoring fees relating to directors have been included in directors emoluments (see note 4)

18. Controlling party

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

19. Post balance sheet event

£988,000 in funding was raised on 18 November 2010 via a 1 for 5 rights issue of 2010 ordinary shares at 1p per share