

**@rightster**



**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.** If you are in any doubt about the contents of this document or as to what action you should take, you are recommended to immediately seek your own financial advice from your stockbroker, bank manager, solicitor or other independent adviser who specialises in advising on the acquisition of shares and other securities and is authorised under the Financial Services and Markets Act 2000 (as amended) (“FSMA”) if you are resident in the UK or, if you are not resident in the UK, from another authorised independent adviser. The whole of this document should be read. Your attention is drawn in particular to the section entitled “Risk Factors” in Part II of this document that describes certain risks associated with an investment in the Company.

The Directors of Rightster Group plc (the “Company”), whose full names, business addresses and functions appear on page 9 of this document, and the Company accept responsibility, individually and collectively, in accordance with the AIM Rules for Companies (“AIM Rules”), for the information contained in this document. To the best of the knowledge and belief of the Directors and the Company (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

This document, which comprises an admission document drawn up in accordance with the AIM Rules, has been issued in connection with the proposed admission of the Ordinary Shares (issued and to be issued pursuant to the Placing) to trading on AIM, a market operated by London Stock Exchange plc (“AIM”). This document does not contain an offer or constitute any part of an offer to the public within the meaning of sections 85 and 102B of FSMA, the Companies Act 2006 or otherwise. This document is not an approved prospectus for the purposes of section 85 of FSMA and a copy of it has not been, and will not be, delivered to the Financial Conduct Authority (the “FCA”) in accordance with the Prospectus Rules or delivered to or approved by any other authority which could be a competent authority for the purposes of the Prospectus Directive.

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## **RIGHTSTER GROUP PLC**

*(Incorporated and registered in England and Wales with registered number 8754680)*



**Placing of 34,083,333 Ordinary Shares of 0.1 pence each at 60 pence per share**

**Admission to trading on AIM**

**Nominated Adviser and Broker**



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The Placing is conditional, *inter alia*, on Admission taking place on or before 12 November 2013 (or such later date as the Company and Cenkos Securities plc may agree). The Placing Shares will, on Admission, rank *pari passu* in all respects with the issued ordinary share capital of the Company on Admission including the right to receive all dividends or other distributions declared, paid or made after Admission.

Copies of this document will be available, free of charge, during normal business hours on any weekday (except Saturdays, Sundays and public holidays), at the offices of the Company being 5th Floor, 33 Cavendish Square, London W1G 0PW, for a period of one month from the date of Admission.

Application has been made for the Ordinary Shares to be admitted to trading on AIM (“Admission”). It is expected that Admission will take place and that dealings in the issued and to be issued Ordinary Shares will commence on 12 November 2013. **AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the official list of the United Kingdom Listing Authority (the “Official List”). A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser.** In particular, it should be remembered that the price of securities and the income from them can go down as well as up. The AIM Rules are less demanding than

companies. AIM securities are not admitted to the official list of the United Kingdom Listing Authority (the "Official List"). A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. In particular, it should be remembered that the price of securities and the income from them can go down as well as up. The AIM Rules are less demanding than those of the Official List. **Each AIM company is required pursuant to the AIM Rules to have a nominated adviser. The nominated adviser is required to make a declaration to the London Stock Exchange on Admission in the form set out in Schedule Two to the AIM Rules for Nominated Advisers.** It is emphasised that no application is being made for the Ordinary Shares to be admitted to the Official List or to any other recognised investment exchange. **Further, neither the London Stock Exchange nor the FCA has examined or approved the contents of this document.**

This document does not constitute an offer to sell, or a solicitation of an offer to buy Ordinary Shares in any jurisdiction in which such offer or solicitation is unlawful. In particular, this document is not for distribution in or into the United States, Canada, New Zealand, Australia, the Republic of South Africa or Japan. The Ordinary Shares have not been and will not be registered under the United States Securities Act of 1933, as amended ("Securities Act") or registered as qualified under the Securities Act, or any state securities laws or other jurisdiction in the United States or any securities laws of Canada, New Zealand, Australia, the Republic of South Africa or Japan or in any country, territory or possession where to offer them without doing so may contravene local securities laws or regulations. Accordingly, the Ordinary Shares may not, subject to certain limited exceptions, be offered or sold, directly or indirectly, in the United States, Canada, New Zealand, Australia, the Republic of South Africa or Japan or to, or for the account or benefit of, any person in, or any national, citizen or resident of the United States, Canada, New Zealand, Australia, the Republic of South Africa or Japan. The distribution of this document outside the United Kingdom may be restricted by law and therefore persons outside the United Kingdom into whose possession this document comes should inform themselves about and observe any restrictions as to the Placing, the Ordinary Shares or the distribution of this document.

Cenkos Securities plc is authorised and regulated in the United Kingdom by the FCA and is advising the Company and no one else in connection with the Placing and Admission (whether or not a recipient of this document), and is acting exclusively for the Company as nominated adviser and broker for the purpose of the AIM Rules. Cenkos Securities plc will not be responsible to any person other than the Company for providing the protections afforded to its customers, nor for providing advice in relation to the Placing and Admission or the contents of this document. In particular, the information contained in this document has been prepared solely for the purposes of the Placing and Admission and is not intended to inform or be relied upon by any subsequent purchasers of Ordinary Shares (whether on or off exchange) and accordingly no duty of care is accepted in relation to them. Without limiting the statutory rights of any person to whom this document is issued, no representation or warranty, express or implied, is made by Cenkos Securities plc as to the contents of this document. No liability whatsoever is accepted by Cenkos Securities plc for the accuracy of any information or opinions contained in this document, for which the Directors are solely responsible, or for the omission of any information from this document for which it is not responsible.

## **FORWARD-LOOKING STATEMENTS**

This document contains forward looking statements relating to the Company's future prospects, developments and strategies, which have been made after due and careful enquiry and are based on the Directors' current expectations and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. Forward-looking statements are identified by their use of terms and phrases such as "believe", "could", "envisage", "estimate", "intend", "may", "plan", "will" or the negative of those, variations or comparable expressions, including references to assumptions. These forward-looking statements are subject to, *inter alia*, the risk factors described in Part II of this document. The Directors believe that the expectations reflected in these statements are reasonable, but may be affected by a number of variables which could cause actual results or trends to differ materially. Each forward-looking statement speaks only as of the date of the particular statement. Neither the Directors nor the Company undertake any obligation to update such statements or the risk factors referred to above other than as required by the AIM Rules or by the rules of any other competent regulatory authority, whether as a result of new information, future events or otherwise.

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## PLACING STATISTICS

Placing Price	60 pence
Number of Placing Shares	34,083,333
Number of Ordinary Shares in issue following Admission	116,372,334
Market capitalisation on Admission ( <i>approximately</i> )	£69.8 million
Percentage of the enlarged issued Ordinary Share capital being placed pursuant to the Placing	29.3 per cent.
Gross proceeds of the Placing	£20.4 million
Estimated net proceeds of the Placing, net of expenses ( <i>approximately</i> )	£18.4 million
AIM 'ticker'	RSTR.L
SEDOL	BF8HJ77
ISIN number	GB00BF8HJ774

## EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Publication of this document	11 November 2013
Admission and dealings in the Ordinary Shares to commence on AIM	12 November 2013
CREST accounts credited for Placing Shares in uncertificated form	12 November 2013
Despatch of definitive share certificates, where applicable	26 November 2013

*References to time are to London time unless otherwise stated. Each of the dates in the above timetable is subject to change without further notice.*

## DEFINITIONS

In this document, where the context permits, the expressions set out below shall bear the following meaning:

<b>“Admission”</b>	the admission of the Ordinary Shares issued, and to be issued pursuant to the Placing, to trading on AIM and such admission becoming effective in accordance with the AIM Rules
<b>“Admission Document”</b>	this document
<b>“AIM”</b>	AIM, a market operated by the London Stock Exchange
<b>“AIM Rules”</b>	the AIM Rules for Companies setting out the rules and responsibilities in relation to AIM companies published by the London Stock Exchange as amended from time to time
<b>“AIM Rules for Nominated Advisers”</b>	the AIM Rules for Nominated Advisers setting out the eligibility, ongoing obligations and certain disciplinary matters in relation to nominated advisers published by the London Stock Exchange as amended from time to time
<b>“Audit Committee”</b>	the audit committee of the Board
<b>“Bridge Lenders”</b>	has the meaning given in paragraph 7.2(N) of Part VI of this document
<b>“Bridge Loan Agreements”</b>	has the meaning given in paragraph 7.2(N) of Part VI of this document
<b>“Business”</b>	the business of the Group, as conducted by Rightster and its subsidiaries
<b>“Business Day”</b>	a day other than a Saturday or Sunday on which banks are open for commercial business in the City of London
<b>“B2C”</b>	business to consumer
<b>“CAGR”</b>	compound annual growth rate
<b>“certificated” or “certificated form”</b>	in the description of a share or other security, which is not in uncertificated form (that is not in CREST)
<b>“Company”</b>	Rightster Group plc, a company incorporated in England and Wales with registered number 8754680 and having its registered office at 5th Floor, 33 Cavendish Square, London W1G 0PW, which directly wholly owns Rightster, and via Rightster, its subsidiaries and approximately 25 per cent. of VML
<b>“Companies Act”</b>	the Companies Act 2006
<b>“CREST”</b>	the relevant system (as defined in the CREST Regulations) for paperless settlement of share transfers and the holding of shares in uncertificated form (in respect of which Euroclear is the operator as defined in the CREST Regulations)
<b>“CREST Manual”</b>	the CREST manual consisting of the CREST reference manual, CREST institutional manual, CREST central counterparty service manual, CREST rules, CCSS operations manual and CREST glossary of terms available at <a href="http://www.euroclear.com">http://www.euroclear.com</a>
<b>“CREST Regulations”</b>	the Uncertificated Securities Regulations 2001 (SI 2001/3755), as amended
<b>“Directors” or “Board”</b>	the current directors and Proposed Directors of the Company whose names appear on page 9 of this document
<b>“Disclosure Rules” or “DTR”</b>	the Disclosure and Transparency Rules made by the UKLA in accordance with section 73(A)(3) of FSMA relating to the disclosure of information in respect of financial instruments which have been admitted to trading on a regulated market

<b>“Euroclear”</b>	Euroclear UK and Ireland Limited, the operator of the CREST UK System or such other person as may for the time being be approved by HM Treasury as operator under the CREST Regulations
<b>“Executive Directors”</b>	Charles Muirhead and Charl De Beer
<b>“Executive Management Team”</b>	Charles Muirhead, Charl De Beer, Andrew Mitchell, Simon Walker and Gerard Cranley
<b>“Financial Services and Markets Act” or “FSMA”</b>	the Financial Services and Markets Act 2000 (as amended)
<b>“FCA”</b>	the Financial Conduct Authority
<b>“Group”</b>	the Company and its subsidiaries from time to time
<b>“HMRC”</b>	Her Majesty’s Revenue & Customs
<b>“IFRS”</b>	International Financial Reporting Standards, as adopted for use in the European Union
<b>“Investor Notes”</b>	has the meaning given in paragraph 7.2(D) of Part VI of this document
<b>“Lock-in Deeds”</b>	the agreements made between the Company and Cenkos with, (i) the Directors and “applicable employees” for the purposes of Rule 7 of the AIM Rules; and (ii) with Vesuvius restricting the ability of the Directors, such “applicable employees”, and Vesuvius to transfer or dispose of Ordinary Shares, further details of which are set out in paragraph 6.3 of Part VI of this document
<b>“London Stock Exchange”</b>	London Stock Exchange plc
<b>“New Articles”</b>	the articles of association of the Company adopted by special resolution of the shareholders of the Company passed on 8 November 2013, conditional upon Admission becoming effective on or before 12 November 2013
<b>“Nominated Adviser”, “Nomad” or “Cenkos”</b>	Cenkos Securities plc, a company incorporated in England and Wales with registered number 05210733 and having its registered office at 6.7.8. Tokenhouse Yard, London EC2R 7AS
<b>“Nomad Agreement”</b>	the agreement dated 11 November 2013 between the Company and Cenkos setting out the terms under which Cenkos will act as nominated adviser and broker to the Company, further details of which are set out in paragraph 6.2 of Part VI of this document
<b>“Non-Executive Directors”</b>	Michael Broughton, Mark Lieberman, John Barnett (known as Jack Barnett) and David Mathewson
<b>“Official List”</b>	the Official List of the UKLA
<b>“Orderly Market Deeds”</b>	the agreements made between the Company, Cenkos and certain Shareholders prior to Admission to preserve an orderly market for the Ordinary Shares, further details of which are set out in paragraph 6.4 of Part VI of this document
<b>“Ordinary Shares” or “Shares”</b>	ordinary shares of 0.1 pence each in the capital of the Company, following the Reorganisation
<b>“Panel”</b>	the Panel on Takeovers and Mergers
<b>“Placees”</b>	subscribers for the Placing Shares, as procured by Cenkos on behalf of the Company pursuant to the Placing Agreement

<b>“Placing”</b>	the conditional placing by Cenkos of the Placing Shares at the Placing Price pursuant to and on the terms of the Placing Agreement
<b>“Placing Agreement”</b>	the conditional agreement dated 11 November 2013 between Cenkos, the Company and the Directors relating to the Placing, further details of which are set out in paragraph 6.1 of Part VI of this document
<b>“Placing Price”</b>	60 pence per Placing Share
<b>“Placing Shares”</b>	Ordinary Shares to be issued to placees pursuant to the Placing
<b>“Preview Networks”</b>	Preview Networks ApS
<b>“Proposed Directors”</b>	Mark Lieberman, David Mathewson and Michael Broughton all of whom have been appointed Non-Executive Directors conditional upon Admission
<b>“QCA Code”</b>	the Corporate Governance Code for Small and Mid-sized Quoted Companies 2013 published by the Quoted Companies Alliance
<b>“Registrar”</b>	Capita Registrars Limited
<b>“Remuneration Committee”</b>	the remuneration committee of the Board
<b>“Reorganisation”</b>	has the meaning given in paragraph 2.1(D) of Part VI of this document
<b>“R&amp;D”</b>	research and development
<b>“Rightster”</b>	Rightster Limited, a company incorporated in England and Wales with registered number 07634543 and having its registered office at 5th Floor, 33 Cavendish Square, London W1G 0PW, a wholly owned subsidiary of the Company
<b>“Rightster Limited Group”</b>	Rightster and its subsidiary undertakings
<b>“Rightster Share Option Plan”</b>	the share option plan previously operated by Rightster
<b>“Rule 9”</b>	Rule 9 of the Takeover Code
<b>“Senior Managers”</b>	Andrew Mitchell, Simon Walker and Gerard Cranley
<b>“Share Exchange”</b>	the acquisition by the Company of the entire issued share capital of Rightster conditional on, and with effect immediately prior to, Admission pursuant to the terms of the Share Exchange Agreement
<b>“Share Exchange Agreement”</b>	the agreement dated 11 November 2013 between the Company and the then shareholders of Rightster, further details of which are set out in paragraph 7.1(I) of Part VI of this document
<b>“Shareholders”</b>	holders of Ordinary Shares
<b>“Share Option Plan”</b>	the Rightster Group plc Enterprise Management Incentive Plan
<b>“SIP”</b>	Sports Investment Partners LLP
<b>“Takeover Code”</b>	the City Code on Takeovers and Mergers (as amended from time to time)
<b>“UK” or “United Kingdom”</b>	the United Kingdom of Great Britain and Northern Ireland
<b>“UK Corporate Governance Code”</b>	the UK Corporate Governance Code dated September 2012 issued by the Financial Reporting Council
<b>“UKLA”</b>	the FCA acting in its capacity as the competent authority for the purposes of Part VI of FSMA
<b>“uncertificated” or “uncertificated form”</b>	recorded on the relevant register of the share or security concerned as being held in uncertificated form in CREST, and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST
<b>“VAT”</b>	value added tax



**“Vesuvius”**

Vesuvius Limited, a company registered in Gibraltar whose registered office is at Suite 2-1A, Leisure Island Business Centre, 23 Ocean Village Promenade, PO Box 1300, Gibraltar

**“Viral Spiral” or “VML”**

Viral Management Limited, a company incorporated in England and Wales with registered number 07760820 and having its registered office at Oliver House, 8-9 Ivor Place, London NW1 6BY

*For the purposes of this document “subsidiary”, “subsidiary undertaking” and “parent undertaking” shall, unless the context requires otherwise, have the respective meanings given to them by the Companies Act.*

*All references to “pounds”, “pounds sterling”, “sterling”, “£”, “pence”, “penny” and “p” are to the lawful currency for the time being of the United Kingdom. All references to “\$” are to the lawful currency for the time being of the United States of America. All references to “€” and “EUR” are to the lawful currency of the members of the European Economic Area who have entered into the Economic and Monetary Union.*

## DIRECTORS, SECRETARY AND ADVISERS

<b>Directors</b>	Mark Stephen Lieberman Charles Stacy Muirhead Charl Arno De Beer John Anthony Barnett Michael Charles Broughton David Carr Mathewson	<i>Interim Chairman</i> <i>Chief Executive Officer</i> <i>Chief Financial Officer</i> <i>Non-Executive Director</i> <i>Non-Executive Director</i> <i>Non-Executive Director</i>
	All of the Company's registered office	
<b>Company Secretary</b>	Gerard Cranley	
<b>Registered Office of the Company</b>	5th Floor 33 Cavendish Square London W1G 0PW	
<b>Nominated Adviser and Broker</b>	Cenkos Securities plc 6.7.8 Tokenhouse Yard London EC2R 7AS	
<b>Auditors to the Company</b>	Grant Thornton UK LLP Grant Thornton House Melton Street London NW1 2EP	
<b>Reporting Accountants to the Company</b>	Grant Thornton UK LLP 30 Finsbury Square London EC2P 2YU	
<b>Solicitors to the Company</b>	Covington & Burling LLP 265 Strand London WC2R 1BH	
<b>Solicitors to the Nominated Adviser and Broker</b>	Dorsey & Whitney (Europe) LLP 199 Bishopsgate London EC2M 3UT	
<b>Registrars</b>	Capita Registrars Limited The Registry 34 Beckenham Road Beckenham Kent BR3 4TU	

# PART I

## INFORMATION ON THE GROUP

### 1. Introduction

Rightster provides cloud-based services that optimise the distribution and monetisation of live and on-demand video. Rightster is a global business to business video network for 360° distribution, content-sourcing, audience engagement and monetisation. Rightster's software and services make it simple for sports, fashion, news, entertainment and viral rights holders to enhance the value of their video whether on a licenced, ad-funded, direct to consumer or paid placement basis. Rightster provides an "upload once – commercialise everywhere" solution that extends the reach of live and on-demand video content to web, mobile and connected audiences via customers' own sites, social channels, portals, platforms, online newspapers, magazines and blogs as well as Rightster's multi channel networks (MCNs) on YouTube.

The online video market is large (£9 billion in 2013, according to Informa Telecoms & Media<sup>1</sup>), but hugely fragmented – many different types of organisations produce and own content and audiences are spread over thousands of sites, across geographies, time zones and across many different types of access devices. Efficiently engaging with these audiences requires sophisticated technology and significant investment of efforts from media businesses, for whom such demands are often a distraction.

The Company's cloud-based software platform, pre-connected network of publishers and advanced services enable content owners to engage global audiences and monetise their content efficiently. Through providing customers with audience networks using a single platform, team and cost base with an outsource model, the Directors believe that the Company is able to deliver superior results than could be achieved in-house by each of those customers, and with greater leveraged efficiency than if effort were replicated across multiple businesses.

Immediately prior to Admission, the Company will acquire the entire issued share capital of Rightster pursuant to the Share Exchange Agreement and will become the holding company of the Group.

Admission and the Placing are expected to provide the Company with working capital to fund its continued operations in building out the Group's network, adding content owners and publishers and to fund continued R&D investment. Admission will also provide the Group with access to capital to support its strategic objectives, if suitable opportunities or "bolt-on" acquisitions arise. The Directors believe that Admission and the Placing will enhance the Company's credibility and profile within its market place and will assist the growth in its Business. Acquisitions will be pursued where the Directors consider that there is clear value through the addition of expertise, customers, monetisation potential or geographic footprint.

### 2. History of the Group

Rightster was founded in May 2011 by Charles Muirhead with the vision of enabling media businesses to overcome the huge fragmentation in the online video market with a single technology platform for engaging audiences and transacting with optimal efficiency.

Rightster has developed its Business by entering each of its content genres (otherwise known as "industry verticals") with an initial deal for premium rights, with a particular focus on live content. Using this initial deal Rightster then recruits top tier publishers and further content owners. This "network effect", whereby each deal makes the offer more compelling to other potential customers, has been a key driver of Rightster's growth to date.

The initial focus of the Business was on the fashion industry, Rightster's first customer being the British Fashion Council (BFC), a not-for-profit organisation with a mandate to promote London as the fashion capital of Europe. BFC had no in-house digital video capability but possessed premium live and on demand rights (London Fashion Week) with no existing broadcast deals. Through Rightster's platform, network and services, the BFC was able to reach over 200 publishers in over 130 countries, unlocking new revenue streams with little upfront investment or risk. Through BFC's live rights, Rightster recruited key publishers with an interest in fashion content and used this connection to recruit more content owners and publishers both in and outside the fashion industry.

<sup>1</sup> Informa Telecoms & Media "OTT Video Revenue Forecasts, 2011-2017" dated 1 November 2012 (\$1:£0.64)

The Business subsequently expanded its operations into four other industry verticals; sports, news, entertainment and viral rights. Rightster's network currently stands at over 750 content owners and over 6,500 publishers. The Group employs approximately 200 staff in 11 offices across 9 countries.

Rightster currently owns approximately 25 per cent. of the share capital of VML which it acquired for £500,000 in October 2012. VML operates under the brandname 'Viral Spiral' and connects third party brands, agencies, production companies and publishers with the owners of viral content. VML provides a range of services with the aim of monetising such viral content through licensing and distribution. Rightster entered into an agreement with VML such that it is the exclusive global syndication distribution and monetisation partner for all VML content being uploaded to third party publishers platforms, including YouTube.

In 2013, Rightster made two investments: the acquisition of Preview Networks, a European distributor of film trailers and branded content for approximately EUR 2.1 million satisfied by the issue of loan notes by Rightster; and the acquisition of certain of the assets of Sports Syndicator, a UK display advertising sales agency for approximately £300,000 payable in cash. Through these two deals, Rightster has grown its geographic reach, range of capabilities and talent pool in content acquisition, media sales, publisher outreach and the paid placement of content on publisher sites.

Through the Placing, the Group plans to raise approximately £20.4 million (before expenses) which it intends to use for future growth of the underlying Business in line with the strategy stated in paragraph 7 of this Part I.

### **3. Markets and Opportunity**

Informa, a London Stock Exchange listed research organisation (LSE: INF), estimated in 2012 that the "Over the top" (OTT) video market (including advertising, subscriptions and transactions) would be worth approximately £9 billion in 2013, rising to £24 billion in 2017 (CAGR: 28 per cent.)<sup>2</sup>. Globally, online video traffic is forecast to comprise 69 per cent. of all consumer internet traffic in 2017<sup>3</sup>. Video is also increasingly important as a marketing tool with a recent survey indicating that 76 per cent. of marketers plan to add video to their sites, a higher percentage than for those marketers planning to integrate Facebook, Twitter or blogs<sup>4</sup>.

Prior to the advent of high speed fixed and mobile broadband networks and devices such as internet enabled TVs, mobile phones and tablets, content was traditionally produced by production companies, who sold content directly to a handful of TV channels across which their audience was distributed. Today, this distribution opportunity is fragmented, with very diverse types of organisations owning and producing content, including news agencies, brands, events, newspapers, celebrities, charities and creative agencies. The audience for these content producers is spread across a large range of sites, including platforms, newspapers, magazines and blogs and is spread across many geographies, time zones and an increasing number and variety of devices.

Attempting to deliver an economically viable in-house digital solution across this fragmented network is extremely complex and resource-intensive. A strategy must be defined and a multi-disciplinary team employed, including commercial, technological, marketing, operational and data skills. The product architecture must then be defined and technology suppliers sourced, negotiated with and integrated. The content owner must then build a network of commercial relationships through sales meetings, negotiations, contracting and integrations.

Rightster helps content owners and publishers overcome this fragmentation by matching content to audiences worldwide and monetising content. Through a single software platform, a pre-connected network of partners and a range of advanced services, Rightster allows 360° distribution of content to all types of site, flexible monetisation with a range of revenue models and centralised reporting. Outsourcing their online video business operations to Rightster can allow media businesses to focus on their core activities, removing the complexity of having to build and manage an in-house online video solution.

<sup>2</sup> Informa "OTT Video Revenue Forecasts, 2011-2017" (Nov-12). Converted to GBP based on \$1:£0.64. OTT video revenues (i.e. online video) are those derived from advertising fees paid by brands, subscriptions paid by consumers for ongoing access, and transactions paid by consumers for one-off access

<sup>3</sup> "Cisco Visual Networking Index: Forecast and Methodology, 2012-2017"

<sup>4</sup> "2012 Social Media Marketing Report, April 2012"

Serving multiple customers on one platform enables Rightster to cost-effectively invest significant amounts in R&D to drive continuous product innovation and improving results for customers, while serving the industry at a lower cost than could be achieved by replicated in-house solutions.

#### 4. Rightster's Proposition

The Group provides an outsourced solution to its customers' businesses through a software-enabled service. Its approach is not focussed on production in-house, or acquiring rights (the Group, therefore, does not actively seek to compete with content owners), nor does it own B2C sites (the Group, therefore, does not actively seek to compete with its publishers). Rightster provides customers with audience networks and support for 360° distribution of content to all types of destination sites including content owner sites, platforms and the business network of online publishers. Customers can benefit from centralised reporting and flexible revenue models, which allow customers to adjust their business models.

The Directors believe this drives the following benefits to customers:

- **Low investment** – Rightster primarily takes a share of customers' revenue, with Rightster taking the majority of its fees when the revenue is delivered.
- **Centralised control** – Rights management software enables granular control of content distribution, including by geography, timeslot and publisher.
- **Flexibility** – Rightster's software enables customers to take advantage of new devices, revenue models and sites.
- **Revenue** – Content owners can adapt their monetisation based on different revenue models (including licenced, ad-funded, direct to consumer or paid placement basis).
- **Transparency** – Performance data is collated from each destination site to one dashboard. Financial data from each site is generated and distributed periodically.
- **Proven product** – Customers get proven product and service, rather than risk building their own solution.
- **Accelerated time to market** – Customers can benefit from reduced cost and bring new products to market faster than building their own solution.
- **Audience reach** – Rightster's distribution to a pre-connected network of publishers enables access to potentially larger audiences.

#### 5. Revenue Generation and Business Model

Customers access Rightster's solution as a service, through which they are able to benefit from a range of different revenue models to optimise the value of their live and on-demand content online.

The Company's primary revenue model is to take a share of the revenue due to customers. This revenue share aligns business outcomes for both parties and means that costs are primarily only charged to the customer when revenue is delivered. Typical revenue shares range from 20-50 per cent. and vary based on the level of service allocated to each customer and the scale of the business opportunity. Secondary revenue streams include fees for usage, storage, premium services and software (including e.g day rates for audience development, publisher outreach, bespoke development etc.) and fees for premium support for customers using the platform. Rightster's revenue share is reported as net revenue (i.e gross transaction revenues minus any revenue share due to third parties).

As a software-focussed business, Rightster can take advantage of a single technology platform to add customers at low marginal cost. Further automation and self-service tools are intended to allow Rightster to provide more advanced services to more customers without adding significantly to the cost base or headcount.

Content owners are recruited on contracts that typically last 12 months, with a mix of exclusive and non-exclusive arrangements. The majority of the Group's revenue is generated on a revenue share basis, though some customers pay service fees (either due to customer preference based on the nature of the service or the size of the business opportunity not justifying a revenue share). In some cases, the Group has chosen to provide advances against future revenues, to give customers comfort on its ability to deliver the promised results. One deal in sports with MP & Silva SARL was structured as a full buy-out of rights, with the intention to switch to a revenue share

model over time. This deal has now been exited, and it is not the strategy of the Group going forward to acquire rights outright as a principal.

The Group delivers technology features to publishers that allows them to source, commercialise and embed live and on-demand content from the Rightster network efficiently and cost-effectively. These features (such as its dynamic video player, the first version of which launched in September 2013) are designed to significantly reduce the manual effort required to display content and, therefore, increase the efficiency of content distribution and the revenue yield per video clip.

Over the last 18 months, Rightster has seen an increase in average monthly video views from approximately 22.5 million in the first half of 2012 to approximately 123.3 million in the second half of 2012 to approximately 160.7 million in the first half of 2013. This represents growth of 447 per cent. on the first half to the second half of 2012 and 30 per cent. on the second half 2012 to the first half of 2013. It also represents growth of 613 per cent. for the first half of 2013 compared with the first half of 2012.

## 6. Key Business Strengths

The Directors believe that the key factors that will contribute to the Group's success are:

### A. *Core Business Capabilities:*

- **Software innovation** – Rightster has a team of approximately 70 people involved in R&D, tasked with continually upgrading and enhancing the software product to better serve customers' evolving needs. Upgrades are easy to deploy due to the platform's modular design – it has been constructed as a service orientated cloud-based architecture for maximum scalability.
- **Pre-connected network** – Rightster has a large and growing pre-connected network of partners – over 750 content owners and over 6,500 publishers. Content owners can quickly access this network of publishers who may want their content and publishers can access a wide range of premium content across the Business' industry verticals.
- **Advanced services** – Rightster's specialist teams offer a range of advanced services including audience development, metadata and search engine optimisation, premium advertising and sponsorship sales, live streaming event support and premium support for enterprise customers. Rightster Studios leverages a creative network of content producers, talent, publishers and brands to identify and catalyse opportunities for the creation of original programming. Rightster acts as the advisor to the creative network to build a tailored programme that meets the requirements of the parties involved.

### B. *Natural Network Effect:*

The directors believe that Rightster's Business model benefits from a natural network effect – as each content owner is added, the network becomes more attractive to publishers; as each publisher is added, integration becomes more attractive to content owners. Rightster's flexible, diversified approach (worldwide footprint, live and on-demand content, operation across multiple industry verticals) has driven strong growth to date, and the Directors believe this will continue in the future.

### C. *Business Model Aligned to Customer Interests:*

Rightster's primary revenue model is to take a share of those revenues due to the customer for use of its software and services, aligning Rightster's success with the success of its customers. The Group's strategy is not focussed on production in-house, or acquiring rights (therefore it does not actively seek to compete with content owners), nor does it own B2C sites (therefore it does not actively seek to compete with publishers).

### D. *Track Record of Delivering for Key Reference Customers*

Due to the proposition described above, capabilities and customer benefits, Rightster has signed up a range of established customers. The Directors believe that a track record of recruiting and delivering for established customers will support further business development activities.

## 7. Strategy, Reasons for the Placing and Use of Proceeds

In order to provide a full outsource solution for customers, Rightster manages the full complexity of engaging with the online video market through a suite of software-enabled services. The Business

supports both live and video on demand content, across multiple content genres, distributed to all types of destination site, monetised with multiple revenue models, with a global footprint. To deliver superior results for customers, it has grown global teams providing advanced services and is driving improved efficiencies through continual investment in R&D. Rightster has chosen to align its interests with those of its customers, it primarily derives revenue on a revenue share basis and is completely independent of platforms and publishers. With this approach, the Directors believe that Rightster will develop the tools to enable content owners to grow the largest possible audience networks.

Rightster's initial approach was to focus on the development and roll-out of the first generation platform to win key reference accounts, learn from customers and gain significant scale on and off-YouTube. Having developed first generation tools to meet the market's needs, Rightster will focus on driving automation, using software to deliver superior services, with greater efficiency. It is the Group's intention to release further software-enabled tools in the future at higher gross margin.

#### *Reasons for the Placing and Use of Proceeds*

Admission and the Placing are expected to provide the Company with working capital to fund the continued operations in building out the Group's network, adding content owners and publishers and to fund continued R&D investment, the first phase of which is expected to complete with the launch of the second generation platform in the fourth quarter of 2013, as well as continuing to enhance the product.

In addition to providing working capital, approximately £1.9 million of the Placing proceeds will be used to repay certain outstanding loan obligations as set out below:

- approximately £722,615 which will be used to repay part of the outstanding Investor Notes (described in paragraph 7.2(D) of Part VI of this document) issued in connection with the acquisition of Preview Networks;
- approximately £600,637 which will be used to repay certain on-demand debt which was loaned to Rightster and which the lender has agreed will be repaid out of the Placing proceeds following Admission; and
- approximately £558,734 of the amount being repaid to one of the Bridge Lenders in accordance with the terms of that Bridge Lender's Bridge Loan Agreement (described in paragraph 7.2(N) of Part VI of this document) and which will not be reinvested in Ordinary Shares in the Placing. The Bridge Lenders have subscribed for Ordinary Shares in the capital of the Company (conditional on Admission) at the Placing Price (as described in paragraph 7.1(J) of Part VI of this document) and have directed that the proceeds of repayment of their respective Bridge Loan Agreements plus accrued interest and arrangement fees (£4,914,658 in aggregate) be paid to the Company to satisfy the payment of subscription monies in respect of such Ordinary Shares.

All other outstanding loan obligations of Rightster (described in paragraphs 7.1 (J), (K), (N) and (P) of Part VI of this document) and the balance of the amount outstanding in respect of the Investor Notes will be satisfied, conditional on, and with effect immediately prior to the Share Exchange, by the conversion of the outstanding amounts and all accrued interest thereon, into series B preferred shares of £0.0000001 each in the capital of Rightster (at a conversion price equivalent to the Placing Price), and these preferred shares will be acquired by the Company pursuant to the Share Exchange.

The Directors believe that Admission will be an important step in the Group's development, will enhance its credibility and profile within its market place, and will assist the growth in its Business.

The Directors expect that Admission will provide the Group with access to capital to support its strategic objectives, if suitable opportunities or "bolt-on" acquisitions arise. Acquisitions will be pursued where the Directors consider that there is clear value through the addition of expertise, customers, monetisation potential or geographic footprint. Rightster is currently in discussions with a number of possible targets and further updates will be provided, as appropriate, post Admission.

Finally, Admission will allow the Directors to retain and incentivise employees through the Share Option Plan.

The estimated net amount of the proceeds of the Placing, broken down into each principal intended use, is presented in paragraph 10 of Part VI of this document.

## 8. Technology

Rightster's services are enabled by a "Software as a Service" (SaaS) platform which it has built in-house for managing live and on-demand video rights and integrated with a number of third party software services, allowing content owners and publishers to efficiently interact and commercialise content. Content is loaded into the Rightster platform, with commercial conditions pre-set by the content owners (e.g in which countries it is available, at what times, on which publishers etc.). Publishers are able to browse a range of content made available by content owners, which they can easily use for publishing on their own sites. Rightster then monetises as required (e.g serving advertising, taking consumer payment, license fees etc.) and reports, invoices and pays stakeholders as appropriate.

Rightster centralises activities after content is uploaded to the platform, allowing for streamlined interaction. Rightster pre-integrates service components in the cloud on a scalable, centralised transaction platform. The core platform handles the primary transactions and data flow while managing services as modular, 'pluggable' objects. This allows the combination of third party and custom-fit proprietary solutions to be integrated and/or substituted as required.

The Company's platform supports the following activities:

- **Flexible upload** – Rightster supports multiple formats and delivery methods to streamline content on-boarding.
- **Granular rights management** – Rights arrangements can be complex to manage (i.e specified restrictions per customer, territory, content format, time window etc.). Rightster enables precise centralised control of rights and commercial terms for each clip or across a portfolio of content. Content owners can create rules and schedules for protection of rights across publishers, geographies and devices.
- **Distribution** – Commercial and technical integrations to publishers and platforms can be costly and time consuming. Distribution to a pre-connected network of publisher sites, platforms, social networks and content owners' sites in either a flexible proprietary player or a range of third party players is made possible from the Company's platform. Rightster offers a variety of portals for the distribution of content – whether dedicated to one content owner or to make available content aggregated by genre.
- **Monetisation** – The Company's platform allows content owners to adapt their monetisation models to maximise the value of their content (e.g licensing, ad-funding, or direct to consumer). Rightster's in-house direct sales team and worldwide network of ad-sales partners supports monetisation across multiple geographies. Targeted dynamic ad-insertion delivers advertising depending on demographic, geography and time. Multiple revenue split models per content owner can be created to support a range of commercial arrangements (e.g whether Rightster, the content owner or the publisher is selling the advertising).
- **Reporting and analytics** – Multiple destination sites create many sources of data from which it may be difficult to consolidate and draw insights. Data from Rightster's player, YouTube and third party players is aggregated and consolidated for easy comparison.
- **Billing and settlement** – Rightster manages the complex billing and settlement arrangements necessitated by a range of monetisation models, across multiple destination sites.

## 9. Competition

Customers often have a wide range of needs to support the success of their online video businesses. The audience may be reached on a huge number of destination sites (their own sites, platforms such as YouTube and third party online publishers) spread across the globe and may need to employ a range of multiple distribution and monetisation models to maximise the value of their content.

Existing video companies often meet one or more of these needs, but the Directors are not aware of any organisations which offer the ability to meet all customers' distribution, content-sourcing, audience engagement and monetisation needs through one integration – Rightster is able to serve customers' needs without customers requiring the services of other video suppliers. For this reason, the Directors believe that the primary competition to the Business remains the building of in-house bespoke platforms, integrating solutions from a range of third party suppliers (e.g online video platform, YouTube MCN, syndication partner, advertising networks etc.). However, such in-house solutions are potentially higher risk and may require significantly more investment, as well as



being slower to market and less flexible than integration with Rightster. Such projects are non-core for most media businesses, and have the potential to create distraction from core activities.

Other companies serving the market demand for video, with different strategies, include:

**YouTube LLC** – Video platform with B2C (end-consumer) focus. YouTube LLC serves a huge audience (more than 1 billion users per month<sup>5</sup>) and monetises views primarily through ad-funding.

**Perform Group plc** – Vertically integrated digital media business focussed on sport. Unlike the Group's model, Perform Group plc buys rights outright, undertakes production and editing in-house and owns B2C sites.

**Blinkx plc** – Blinkx plc is a video search engine with a primary focus on ad-funded distribution of video on demand content – not live streaming. Certain revenue models (e.g B2C subscriptions) are not supported.

**Tremor Video, Inc.** – Video advertising sales network focussed on the monetisation of video content. Tremor Video, Inc. does not support distribution of content nor revenue models other than advertising-funded.

**Maker Studios, Inc.** – Maker Studios, Inc. is a YouTube MCN, focussed on engagement of audiences and creation and monetisation of video on demand content on YouTube. The recent acquisition of Blip.tv has enabled distribution of content to content owners' own sites, but the Directors believe that Maker Studios, Inc. has no stated focus on syndication of content to third party publishers.

## 10. Current Trading and Prospects

At the start of 2012, Rightster was operating two types of business strategy, a rights buy-out, with a view to converting to a revenue share arrangement and a straight revenue share deal.

Rightster exited the rights buy-out deal in mid-2013 and it is the Board's current intention not to pursue further deals of this kind in the future. Rightster has displayed strong growth in net revenue over the past 18 months in revenue share deals. As the Group scales, it is expected that operating expenditure will not grow significantly and continual development of automated and self-service tools will mean that cost of goods sold will increase more slowly than revenue.

Through the Placing the Group plans to raise approximately £20.4 million (before expenses) which it intends to use for future growth of the underlying Business in line with the strategy stated in paragraph 7 of this Part I.

The Group is trading in line with the Directors' expectations. The Directors have confidence in the Company's prospects for the current financial year, including benefits expected from the release of the second generation software platform.

## 11. Dividend Policy

The payment of any future dividends will depend on the future earnings of the Company. The Board has no current intention of paying a cash dividend to Shareholders as the Company currently intends to invest its cash reserves and any cash generated into funding the Group's planned development.

The Directors may amend the dividend policy of the Company from time to time and the above statement regarding the Board's dividend policy should not be construed as any form of profit forecast.

## 12. Placing and Admission

At the Placing Price, the Placing will raise approximately £18.4 million for the Company (net of expenses).

Cenkos has agreed, pursuant to the Placing Agreement and conditional, *inter alia*, on Admission, to use its reasonable endeavours to place the Placing Shares with institutional and other investors. David Mathewson, a Proposed Director, is subscribing for 40,000 Placing Shares at the Placing Price as part of the Placing. The Placing, which is not being underwritten, is conditional, *inter alia*, upon:

<sup>5</sup> [youtube.com/yt/press/en-GB/statistics.html](http://youtube.com/yt/press/en-GB/statistics.html)

- the Placing Agreement becoming unconditional and not having been terminated in accordance with its terms prior to Admission; and
- Admission becoming effective not later than 12 November 2013, or such later date as Cenkos and the Company may agree, being not later than 29 November 2013.

The Placing Price has been determined by Cenkos after consultation with the Company. The Placing Shares rank *pari passu* in all respects with the Ordinary Shares including the right to receive all dividends and other distributions declared, paid or made after the date of issue.

None of the Placing Shares have been marketed to or will be made available in whole or in part to the public in conjunction with the application for Admission. The market capitalisation of the Company immediately following the Placing, at the Placing Price, will be approximately £69.8 million. Application has been made to the London Stock Exchange for the Ordinary Shares to be admitted to trading on AIM. Admission is expected to become effective and dealings in the issued Ordinary Shares are expected to commence on 12 November 2013.

Further details of the Placing Agreement are set out in paragraph 6.1 of Part VI of this document.

### **13. Lock-In and Orderly Market Arrangements**

Each of the Directors, other “applicable employees” for the purposes of Rule 7 of the AIM Rules, and Vesuvius, have undertaken not to sell, transfer or dispose of any Ordinary Shares held by them, or in which they have an interest, at Admission (or acquired by them following Admission), for a period of 12 months following Admission (the “Lock-in Period”). These restrictions are subject to certain customary exceptions including any sale or disposal following a general offer for the Company. Further orderly marketing arrangements apply for 12 months following the Lock-in Period, pursuant to which the Directors, other “applicable employees” for the purpose of Rule 7 of the AIM Rules and Vesuvius are obliged to sell any Ordinary Shares through Cenkos, while Cenkos remains the Company’s broker, and subject, *inter alia*, to Cenkos offering market terms for such a sale.

At Admission, these lock-in restrictions will apply in respect of 58,609,758 issued Ordinary Shares representing 50.4 per cent. of the issued share capital of the Company.

Additionally, certain Shareholders prior to Admission have agreed to certain orderly market arrangements, pursuant to which they are obliged to sell any Ordinary Shares through Cenkos, whilst Cenkos remains the Company’s broker, and subject to Cenkos offering market terms for such a sale, for a period of 12 months following Admission.

At Admission, these sale restrictions will apply in respect of 10,359,659 issued Ordinary Shares representing 8.9 per cent. of the issued share capital of the Company.

Further details of the lock-in and orderly market arrangements are set out in paragraphs 6.3 and 6.4 of Part VI of this document.

### **14. Relationship agreement**

On Admission, Vesuvius will hold approximately 43.4 per cent. of the Company’s issued share capital. The Company, Cenkos and Vesuvius entered into a relationship agreement on 11 November 2013 (the “Relationship Agreement”) to regulate aspects of the continuing relationship between the Company and Vesuvius, with the intention of enabling the Company to conduct its business affairs independently of Vesuvius and to ensure that future transactions between the Company and Vesuvius are on arm’s length terms and on a normal commercial basis. Certain undertakings given by Vesuvius in the Relationship Agreement will fall away, amongst other things, when the voting rights attaching to Vesuvius’ shareholding (together with that of its associates) in the capital of the Company represent less than 30 per cent. of all voting rights in the Company, when the Company’s Ordinary Shares cease to be admitted to trading on AIM, or such time that Cenkos ceases to be the Company’s nominated adviser, provided that Cenkos has not assigned its rights to the new nominated adviser with the Company’s consent. In the event that the voting rights attaching to Vesuvius’ shareholding in the capital of the Company (with that of its associates), at any time during the 12 months following such holdings having ceased to represent at least 30 per cent. of all voting rights of the Company and in circumstances where no Rule 9 bid is made by Vesuvius, again represent 30 per cent. or more of all voting rights in the Company, the relevant undertakings will revive. Pursuant to the Relationship Agreement, Vesuvius has the right, for so long as it (and/or any of its associates) hold 10 per cent. or more of the issued share

capital of the Company, to appoint one non-executive director to the Board of the Company. The first such director is Jack Barnett.

## **15. Share Option Plan**

The Company operates the Share Option Plan which allows the grant of tax efficient Enterprise Management Incentive (“EMI”) share options and unapproved share options to both the Directors and employees. The Share Option Plan is in substantially the same form as the Rightster Share Option Plan.

The Company may grant share options under the Share Option Plan notwithstanding the occurrence of Admission. Further information is set out in paragraphs 3 and 6 of Part V of this document.

## **16. Corporate Governance**

The Company intends, following Admission, so far as is practicable and appropriate for a company of its size and nature, to comply with the provisions of the UK Corporate Governance Code, or in some cases and as a minimum with the provisions of the QCA Code. The Company has appointed two independent, Non-Executive Directors to bring an independent view to the Board and to provide a balance to the Executive Directors and non-independent Non-Executive Directors. In addition, the Company intends to appoint a permanent independent Chairman within 6 months from Admission to add further depth and breadth to the Board.

The Board is responsible for formulating, reviewing and approving the Group’s strategy, budgets and corporate actions. The Directors intend to hold meetings of the Board monthly and at other times as and when required. Conditional on Admission, the Company has established Audit and Remuneration Committees of the Board with formally delegated duties and responsibilities. The Company has also established an AIM Compliance and Corporate Governance Committee.

### *Audit Committee*

The Audit Committee will have the primary responsibility of monitoring the quality of internal controls, overseeing the internal audit and risk management systems and ensuring that the financial performance of the Group is properly measured and reported on. It will receive and review reports from the Group’s management and external auditors relating to the interim and annual accounts and the accounting and internal control systems in use throughout the Group. The Audit Committee will meet not less than twice in each financial year and will have unrestricted access to the Group’s external auditors. At Admission, the Audit Committee will be chaired by David Mathewson and also comprise Mark Lieberman, Michael Broughton and Jack Barnett.

### *Remuneration Committee*

The Remuneration Committee will review the remuneration policy to ensure it is sufficient to attract, retain and motivate key management to deliver the strategy set by the Board. The Remuneration Committee will review the performance of the Executive Directors and make recommendations to the Board on matters relating to their remuneration and terms of service. The Remuneration Committee will also make recommendations to the Board on proposals for the granting of share options and other equity incentives pursuant to any employee share option scheme or equity incentive plans in operation from time to time. The Remuneration Committee will meet not less than twice in each financial year. In exercising this role, the Directors shall have regard to the recommendations put forward in the QCA Code and, where appropriate, the provisions of the UK Corporate Governance Code. At Admission, the Remuneration Committee will be chaired by Mark Lieberman and also comprise David Mathewson and Jack Barnett.

### *AIM Compliance and Corporate Governance Committee*

The Company has also established an AIM Compliance and Corporate Governance Committee to ensure that the Company is complying with the AIM Rules. It will also assess the Company’s corporate governance obligations every year. At Admission, the AIM Compliance and Corporate Governance Committee will be chaired by David Mathewson and its other member is the Company Secretary.

### *Share Dealing Code*

The Board intends to comply, and to procure compliance, with Rule 21 of the AIM Rules relating to dealings in the Company’s securities by the Directors and other applicable employees. To this end,

the Company has adopted a code for dealings in shares appropriate for a company whose shares are admitted to trading on AIM and will take all reasonable steps to ensure compliance by the Directors and any relevant employees. The form of this code is substantially the same as the model code contained in the Annex I to Chapter 9 of The Listing Rules of the FCA.

#### *Settlement and CREST*

Application has been made for all of the Ordinary Shares to be eligible for admission to CREST with effect from Admission. Accordingly, settlement of transactions in the Ordinary Shares following Admission may take place in CREST if the relevant Shareholder so wishes. CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by a share certificate and transferred otherwise than by written instrument. The New Articles permit the holding and transfer of Ordinary Shares under the CREST system. CREST is a voluntary system and Shareholders who wish to receive and retain share certificates will be able to do so. Persons acquiring shares in the Placing may elect to receive Ordinary Shares in uncertificated form if, but only if, that person is a “system-member” (as defined in the CREST Regulations) in relation to CREST.

It is expected that, subject to the satisfaction of the conditions of the Placing, the Placing Shares will be registered in the names of the placees subscribing for them and issued either: (i) in certificated form, where the placee so elects, with the relevant share certificate expected to be dispatched by post, at the placees risk, by 26 November 2013 or (ii) in CREST, where the placee so elects and only if the placee is a “system member” (as defined in the CREST Regulations) in relation to CREST, with delivery (to the designated CREST account) of the Ordinary Shares subscribed for expected to take place by 12 November 2013. Notwithstanding the election by placees as to the form of delivery of the Placing Shares, no temporary documents of title will be issued. All documents or remittances sent by or to a placee, or as they may direct, will be sent through the post at their risk. Pending the dispatch of definitive share certificates (as applicable), instruments of transfer will be certified against the Company’s register of members.

#### **17. Taxation**

Your attention is drawn to the taxation section contained in Part IV of this document. If you are in any doubt as to your tax position, you should consult your own independent financial adviser immediately.

#### **18. Further information**

Your attention is drawn to the risk factors set out in Part II of this document, the financial information set out in Part III of this document and the additional information set out in Parts V and VI of this document.

## PART II

### RISK FACTORS

ANY INVESTMENT IN THE ORDINARY SHARES IS SUBJECT TO A NUMBER OF RISKS. PRIOR TO INVESTING IN THE ORDINARY SHARES, PROSPECTIVE INVESTORS SHOULD CONSIDER CAREFULLY THE FACTORS AND RISKS ASSOCIATED WITH ANY INVESTMENT IN THE ORDINARY SHARES, THE GROUP'S BUSINESS AND THE INDUSTRY IN WHICH IT OPERATES, TOGETHER WITH ALL OTHER INFORMATION CONTAINED IN THIS DOCUMENT INCLUDING, IN PARTICULAR, THE RISK FACTORS DESCRIBED BELOW. THE FOLLOWING FACTORS DO NOT PURPORT TO BE AN EXHAUSTIVE LIST OR EXPLANATION OF ALL THE RISK FACTORS INVOLVED IN INVESTING IN THE COMPANY. IN PARTICULAR, THE GROUP'S PERFORMANCE MIGHT BE AFFECTED BY CHANGES IN MARKET AND/OR ECONOMIC CONDITIONS AND IN LEGAL, REGULATORY AND TAX REQUIREMENTS. ADDITIONALLY, THERE MAY BE RISKS OF WHICH THE BOARD IS NOT AWARE OR BELIEVES TO BE IMMATERIAL WHICH MAY, IN THE FUTURE, ADVERSELY AFFECT THE GROUP'S BUSINESS AND THE MARKET PRICE OF THE ORDINARY SHARES. IN SUCH CASES, THE MARKET PRICE OF THE ORDINARY SHARES MAY DECLINE AND HOLDERS OF ORDINARY SHARES MAY LOSE ALL OR PART OF THEIR INVESTMENT. INVESTORS SHOULD CONSIDER CAREFULLY WHETHER AN INVESTMENT IN THE ORDINARY SHARES IS SUITABLE FOR THEM IN LIGHT OF THE INFORMATION IN THIS DOCUMENT AND THEIR PERSONAL CIRCUMSTANCES.

#### **RISK RELATING TO THE GROUP'S INDUSTRY**

##### **The digital rights and media industry is relatively new and changing rapidly and the Group may fail to successfully adapt**

The Group derives its revenues from the commercialisation of digital rights through content distribution and monetisation and the provision of technology and professional services to various stakeholders in the media industry. This is a relatively new and rapidly changing field and as such it is difficult to predict the prospects for and direction of growth in the industry. If the Group fails to successfully adapt its products and commercial offerings within this rapidly changing industry then the Group may be unable to achieve its strategic objectives, which could have a material adverse effect on its prospects, business, financial condition or results of operations.

##### **The Group's competitors may take actions which adversely affect revenues, profits or the Group's financial condition**

The Group operates within competitive markets. The Board believes that it has adopted a competitive business strategy. However, the Group's Business, results, operations and financial condition could be materially adversely affected by the actions of its competitors. The Group's competitors could bring superior scale, better known brand, deeper experience or more compelling products to bear against the Group's existing and potential Business. Intense competition could increase pricing pressure in the market-manifested, for example, through declining revenue shares, or increased reliance on paying advances ahead of commercial deals. If the Group is not able to compete successfully against existing or future competitors, its competitive position, Business, financial condition and results of operations may be adversely affected.

##### **YouTube may change its commercial policies, harming the viability of the Group's business on YouTube**

YouTube is the world's largest video platform (more than 1 billion unique users per month<sup>6</sup>), and underpins a significant portion of the Business. To date, YouTube has fostered a network of multi-channel networks – third party agencies that engage content owners, produce content, conduct audience development and sell advertising and sponsorship deals. In the future, YouTube may choose to cease support for this network, for instance by removing availability or exclusivity of certain services, increasingly approaching content owners directly, or raising the share of revenues it takes in return for its services. Any such change would have a material bearing on the Group's ability to attract, retain and service business on YouTube, and on the Group's prospects, financial condition, Business and results of operations.

<sup>6</sup> [youtube.com/yt/press/en-GB/statistics.html](https://www.youtube.com/yt/press/en-GB/statistics.html)

## **RISKS RELATED TO THE GROUP'S CUSTOMER BASE**

### **The Group is reliant on certain key customers and industries**

The Group has a broad and varied customer base and relatively good visibility on new customers that are likely to be brought in over the next three to six months. Although the Group is confident that the quality of products and services provided to its customers should continue to make those relationships successful, there is no assurance that will be the case. These relationships (and underlying agreements) could be lost for a variety of reasons including, but not limited to, the Group's products and services not meeting customer expectations, market competition, customer requirements and the consolidation of customers through mergers or acquisitions. Notice periods for termination of contracts range between 30 and 90 days, so significant customer losses may arise quickly, with insufficiently short lead times to fill resultant gaps with other customers. The loss of any of the Group's significant customers could have a materially adverse effect on the Group's financial performance, operating results and cash flows.

### **The Group is currently operating many key commercial partnerships with no documented long-form contracts**

A significant number of the Group's contracts with its content owning and publishing customers are in a short form, which the Group is actively taking steps to replace with longer form contracts better suited to its Business. The short form contracts may suffer from one or more defects including uncertainty as to whether the terms were intended to be enforceable, uncertainty about the date on which such contracts were signed, uncertainty about the authority of certain individuals who signed those contracts to do so, the continuation of services beyond the expiration of terms specified in such contracts and failure to properly allocate risk relating to such matters as breaches of intellectual property rights. Rightster is in the process of signing new longer form contracts where dealings between Rightster and third parties were previously based on short form contracts.

## **RISKS RELATED TO THE GROUP'S TECHNOLOGICAL OPERATIONS**

### **Technological innovation is progressing quickly and the Group may fail to keep pace or make the wrong choices**

Customer preferences across the breadth of the Group's platform and commercial offerings are subject to fast and relatively unpredictable change, as advances in technology progress. Recent changes have included proliferation of device types, operating systems, video formats and delivery methods and further changes are difficult to predict. If the Group fails to adapt sufficiently quickly to any changes, there is a risk that revenue will be lost and ultimately that its proposition will become less competitive in the market. Technology may progress to the point that in-house bespoke solutions become so efficient to build and adapt that the Group's outsource proposition may become obsolete which could materially adversely affect the Group's Business and its reputation, financial condition and/or operating results.

### **The Group's operations, financials and reputation may be negatively affected by malicious attacks on its platform**

As Rightster's profile grows and it expands into new markets (including emerging markets), there is an increasing risk of malicious attacks on its system. Despite the measures undertaken by the Business, any successful attack could have a material effect on the Group's reputation, ability to compete and finances.

If premium content managed by the Group is used or made available by the Group or its customers other than in accordance with the terms of its licences, the Group may face contractual liability to its licensors in connection with a failure to adequately protect the rights granted under the Group's licences, which could have a material adverse effect on the Business, reputation, financial condition or results of operations.

Any loss of data, whether on its customers or the end-viewers of the content, would have a material adverse effect on the Group's Business. Rightster's reputation as a secure platform is integral to its ability to compete effectively, and any loss of data could incur significant compensation costs.

Denial of service attacks have the potential to disrupt the Group's continuing operations. Any significant service outage would result directly in loss of revenue and harm Rightster's value proposition to customers, who rely on efficient, timely distribution of their content to publishers and end users.

#### **The Group may not be able to adequately protect its intellectual property rights**

The Group's ability to compete effectively is highly dependent on its ability to protect its software, commercial offerings and trade secrets from unauthorised use. Rightster believes that it has taken appropriate measures to protect itself to date (including copyrights, trademarks, non-disclosure agreements etc.) however, the protection provided by these intellectual property rights, confidentiality and contractual restrictions is limited and varies between the UK and other countries. There can be no guarantee that these protections may be adequate to prevent competitors from taking commercial advantage of unauthorised disclosure of the Group's sensitive Business information. Similarly, these protections may not prevent competitors from copying, reverse-engineering or independently re-creating the Group's products, services and technologies to create similar offerings. Even if such arrangements and related laws provide protection, the Group may have insufficient resources to take the legal actions necessary to protect its interests, which could have a material adverse effect on the Group's prospects, Business, financial condition or results of operations.

#### **The Group may incur substantial costs as a result of disputes relating to intellectual property**

The Group sources content from content owners which it then distributes to third party publishers. Whilst the Group seeks to ensure that appropriate assurances are given regarding ownership of any inbound content, it cannot be certain that such content is free from third party rights and third parties may assert that the Group's activities infringe their intellectual property and ownership rights.

In addition, although the Group seeks to restrict the way in which publishers utilise content. It has limited ability (other than recourse to legal proceedings) to enforce such restrictions or prevent the mis-use of content unless the publisher has embedded the Group's video player console on its website and is distributing the relevant content using the Group's video player console.

In particular, as the number of products and services offered in the Group's markets, as well as the volume of content that the Group distributes, increases, claims relating to ownership of content may increase. Any claims, regardless of their merit, could be expensive and time-consuming to defend; force the Group to stop providing services that incorporate the disputed content; divert management's attention and other Company resources; and/or require Rightster to enter into royalty or licensing agreements in order to obtain the right to use necessary content. Any such royalty or licensing agreements may not be available on terms acceptable to the Group, if at all, and disputes in relation to ownership of content could have a material adverse effect on the Group's prospects, Business, financial condition or results of operations.

### **RISKS RELATED TO THE GROUP'S BUSINESS OPERATIONS**

#### **The Group is experiencing rapid growth. If the Group is not able to effectively manage its growth, its operations could be damaged and profitability reduced**

The Group's Business and operations have experienced rapid growth but the Group is still loss making and highly cash consumptive. If the Group fails to effectively manage this growth in the future, its operations could be harmed. This future growth could place significant demands on the Group's operational and financial infrastructure. If the Group is unable to effectively manage its growth, its operations could be harmed and profitability reduced. Rightster's value proposition relies on its ability to manage the complexity of the online video market (multiple destination sites, multiple devices, multiple monetisation models, global footprint etc.). As the market evolves, and the Group grows, the potential for operational complexity will increase significantly. The growth of the Group's sales and profits in the future will depend, in part, on its ability to take advantage of this growing complexity, including expanding its operations, launching new products, expanding into new geographies and adapting to evolving market dynamics. Such activities expose the Group to risks including compliance with applicable laws and regulations; different customer preferences or habits; differing technology standards or end-user requirements and capabilities; infringement of third party intellectual property rights; the cost of localising software (including translations) or otherwise adapting its products and services for new markets; or difficulties associated with

repatriating cash generated or held abroad in a tax-efficient manner. Furthermore, in order to manage its planned expansion, it will need continually to evaluate the adequacy of its working capital, management capability, operational procedures, financial controls and information systems. Accordingly, there can be no assurance that the Group will be able to achieve its expansion goals on a timely or profitable basis.

**The Group may acquire other businesses or assets if suitable opportunities become available which may pose integration and other associated risks**

Rightster has acquired two businesses to date, and will continue to pursue appropriate opportunities as they become available. Any future acquisition poses significant risks associated with due diligence, negotiation and integration and could be a significant drain on the Group's resources. When integrated, any acquisition may not be as attractive as forecast during due diligence for a variety of reasons, and may require significant extra investment and support. There can be no assurance that the Group will be able to procure the additional resources to cope with growth in the number of assets under the Group's management.

**Failure to attract and retain key executives, officers, managers and technical personnel could adversely affect the Group's operating and financial performance**

Attracting, training, retaining and motivating technical and managerial personnel is a critical component of the future success of the Group's Business. Accordingly, the Group may encounter difficulties in attracting or retaining qualified personnel. Continued growth may therefore cause a significant strain on existing managerial, operational, financial and information systems resources. The departure of any of the Group's relatively small number of executive officers or other key employees could have a negative impact on its operations. In the event that future departures of employees occur, the Group's ability to execute its Business strategy successfully, or to continue to provide services to its customers and users or attract new customers and users, could be adversely affected. The performance of the Group depends, to a significant extent, upon the abilities and continued efforts of its existing senior management. The loss of the services of any of the key management personnel or the failure to retain key employees could adversely affect the Group's ability to maintain and/or improve its operating and financial performance. As a consequence, the cost base associated with the remuneration of key personnel may increase significantly.

**RISKS ASSOCIATED WITH THE GROUP'S FINANCES**

**The Group may be unable to secure adequate insurance at an acceptable cost**

There can be no certainty that the Group's insurance cover is adequate to protect against every eventuality and the occurrence of an event for which the Group did not have adequate insurance cover could have a material adverse effect on the Group.

**The Group is exposed to currency fluctuations**

The Group's reporting currency is sterling but a substantial and increasing proportion of the Group's revenue is earned in other currencies, including Euro and US dollar. Although the Group incurs expenditures in these other currencies, the movement of any of these currencies against sterling may have a detrimental effect on the Group's results of operations and financial condition.

In addition, the results for operating entities of the Group whose functional currency is not sterling have been translated into sterling at the applicable foreign currency exchange rates for inclusion in the Group's historical consolidated financial statements. The exchange rates between relevant foreign currencies and sterling have historically fluctuated (including over the last three years), and the translation effect of such fluctuations may have a material adverse effect on the Group's reported results of operations.

The Group may, from time to time, hedge a portion of its currency exposures and requirements to try to limit any adverse effect of exchange rate fluctuations on the Group's operations, financial performance and prospects, but there can be no assurance that such hedging will eliminate the potentially material adverse effect of such fluctuations.

**Adverse changes in taxation could materially adversely affect the Group**

Changes in taxation rates or law, or misinterpretation of the law or any failure to manage tax risks adequately could result in increased charges, financial loss, including penalties, and reputational



damage, which may have an adverse effect on the Group's financial condition and future prospects. A material change in the level or applicability of VAT, sales and other consumption taxes in the United Kingdom and other jurisdictions could have an adverse effect on the Group's sales, which could have a material adverse effect on the Group's prospects, business, financial condition or results of operations.

#### **The Group may be exposed to risks relating to taxable presences**

The policy of each member of the Group is to manage and operate its business in a way that is intended to ensure that it is resident for tax purposes solely in the jurisdiction in which it is incorporated or domiciled and that it has no taxable permanent establishments or other taxable presence in any other jurisdiction. However, if any member of the Group is found to be, or to have been, tax resident elsewhere or to have a taxable permanent establishment or other taxable presence elsewhere, whether on the basis of existing law or the current practice of any tax authority or by reason of a change in law or practice, this may have a material adverse effect on the overall amount of tax payable by the Group.

### **RISK RELATING TO THE POLITICAL, ECONOMIC, REGULATORY AND LEGISLATIVE ENVIRONMENTS OF THE GROUP**

#### **Changes and or developments in the political, economic, regulatory and legislative environment could materially adversely affect the Group's Business**

Adverse developments in the political, economic and regulatory environment may materially and adversely affect the financial position and Business prospects of the Group. In particular, the Group may expand into emerging markets, in which the economic and legislative environments can be less stable than the Group's existing markets. Political and economic uncertainties include, but are not limited to economic slowdowns, changes in interest rates, changes in taxation and currency exchange control. Legislative and regulatory risks may include potential changes around data privacy and protection for intellectual property.

As internet commerce continues to evolve, increasing regulation by local, national and supra-national authorities becomes more likely. For example, the European data protection framework, comprised in part of the 1995 Data Privacy Directive and 2002 e-Privacy Directive (as amended), regulate the ways in which companies can store certain information provided by their customers and what they can do with this data. This framework is expected to be materially altered by the proposed General Data Protection Regulation, which is currently being debated in the European Parliament and Council and which would replace the Data Privacy Directive. The proposed Regulation, if enacted, is likely to further enhance the consumer protection and privacy elements contained in European law. Laws and regulations applying to the use of "cookies" or the solicitation, collection, processing or use of personal or consumer information, and such pending EU legislation relating to data protection could change the manner in which the Group or its advertising partners are able to collect, store and share customer data.

Whilst the Group strives to continue to take effective measures such as prudent financial management and efficient operating procedures, there is no assurance that adverse political, economic and regulatory factors will not materially and adversely affect the Group.

#### **A significant proportion of the Company's share capital will be controlled by one party and their interests may conflict with those of other Shareholders**

Immediately following Admission, Vesuvius will beneficially own approximately 43.4 per cent. of the issued Ordinary Shares. As a result, notwithstanding the Relationship Agreement between the Company, Vesuvius and Cenkos described in more detail in paragraph 7.1(H) of Part VI of this document, following Admission Vesuvius will possess sufficient voting power to have a significant influence over all matters requiring Shareholder approval, including the appointment and removal of Directors and approval of significant corporate transactions. The Relationship Agreement provides that Vesuvius will exercise its powers as a Shareholder to procure, in so far as it is reasonably able, that there are at all times at least two Directors on the Board of the Company who are independent of Vesuvius. The interests of Vesuvius may not always be aligned with those of other holders of Ordinary Shares. In particular, Vesuvius may hold interests in, or may make acquisitions of or investments in, other businesses that may be, or may become, competitors of Rightster.

## **RISKS RELATING TO THE ORDINARY SHARES**

### **Investors should be aware that a higher investment risk attaches to companies quoted on AIM**

Investment in shares traded on AIM involves a higher degree of risk and such shares may be less liquid than shares in companies which are listed on the Official List. The AIM Rules are less demanding than those of the Official List. It is emphasised that no application is being made for the admission of the Company's securities to the Official List. An investment in the Ordinary Shares may be difficult to realise. Prospective investors should be aware that the value of an investment in the Company may go down as well as up and that the market price of the Ordinary Shares may not reflect the underlying value of the Group. Investors may therefore realise less than, or lose all of, their investment. Investment in the Ordinary Shares may not be suitable for all readers of this document. Readers are accordingly advised to consult a person authorised under FSMA who specialises in investments of this nature before making any investment decisions.

### **The Company's share price may be volatile and affected by a number of factors, some of which are outside the Company's control**

The share price of quoted companies can be highly volatile and shareholdings can be illiquid. The price at which the Ordinary Shares are quoted and the price which investors may realise for their Ordinary Shares will be influenced by a large number of factors, some specific to the Group and its operations and others which may affect quoted companies generally. These factors could include the performance of the Group, large purchases or sales of the Ordinary Shares, currency fluctuations, legislative changes and general economic, political, regulatory or social conditions. In addition, stock markets from time to time suffer significant price and volume fluctuations that affect the market prices for securities and which may be unrelated to the operating performance of the Group. Any of these events could result in a decline in the market price or liquidity of the Ordinary Shares. Shareholders may therefore not be able to sell their Ordinary Shares following Admission at or above the price at which they commence trading on AIM.

### **The Group may require further access to further capital which may have a dilutive effect on Shareholders**

The Group may require additional funds to respond to business challenges, such as funding future acquisitions or to enhance existing products and services. Accordingly, the Company may need to engage in equity or debt financings to secure additional funds. If the Company raises additional funds through further issues of equity or convertible debt securities, existing Shareholders could suffer significant dilution, and any new equity securities could have rights, preferences and privileges superior to those of current Shareholders. Any debt financing secured by the Company in the future could involve restrictive covenants relating to its capital raising activities and other financial and operational matters, which may make it more difficult for the Company to obtain additional capital and to pursue business opportunities, including potential acquisitions. In addition, the Company may not be able to obtain additional financing on terms favourable to it, if at all. If the Group is unable to obtain adequate financing or financing on terms satisfactory to it, when the Group requires it, the Group's ability to continue to support its Business growth and to respond to business challenges could be significantly limited or could affect its financial viability.

### **Future issues and/or sales of Ordinary Shares could adversely affect the Company's share price**

The Company is unable to predict when and if substantial numbers of Ordinary Shares will be sold in the open market following Admission. Any such sales, or the perception that such sales might occur, could result in a material adverse effect on the market price of the Ordinary Shares. The Group may require additional capital in the future which may not be available to it. If available, future financings to provide this capital may dilute Shareholders' proportionate ownership in the Company. The Company may raise capital in the future through public or private equity financings or by raising debt securities convertible into Ordinary Shares, or rights to acquire these securities. Any such issues may exclude the pre-emption rights pertaining to the then outstanding shares. If the Company raises significant amounts of capital by these or other means, it could cause dilution for the Company's existing Shareholders. Moreover, the further issue of Ordinary Shares could have a negative impact on the trading price and increase the volatility of the market price of the Ordinary Shares. The Company may also issue further Ordinary Shares, or create further options over Ordinary Shares, as part of its employee remuneration policy, which could in aggregate create

a substantial dilution in the value of the Ordinary Shares and the proportion of the Company's share capital in which investors are interested.

**As there has been no prior trading market for Ordinary Shares, the Placing may fail to result in an active or liquid market for the Ordinary Shares**

Prior to Admission, there was no public market for the Ordinary Shares. There can be no assurance that an active market for (and hence strong liquidity in the trading of) the Ordinary Shares will develop upon the Company's admission to trading on AIM, or if developed, that such market will be sustained. If an active and liquid trading market does not develop or is not sustained, the liquidity and trading price of the Ordinary Shares could be adversely affected and investors may have difficulty selling their Ordinary Shares.

**Forward-looking statements**

Some of the statements in this document include forward-looking statements which reflect the Company's or, as appropriate, the Directors' current views with respect to financial performance, business strategy, plans and objectives of management for future operations (including development plans relating to the Business). These statements include forward-looking statements both with respect to the Group and the sectors and industry in which the Group operates. All forward-looking statements address matters that involve risks and uncertainties. Accordingly, there are or will be important factors that could cause the Group's actual results to differ materially from those indicated in these statements. These factors include, but are not limited to, those described in this Part II of this document which should be read in conjunction with the other cautionary statements that are included in this document. Any forward-looking statements in this document reflect the Company's or, as appropriate, the Directors' current views with respect to future events and are subject to these and other risks, uncertainties and assumptions relating to the Group's operations, results of operations, growth strategy and liquidity.

These forward-looking statements speak only as at the date of this document. Subject to any applicable obligations, the Company undertakes no obligation to update publicly or review any forward-looking statement, whether as a result of new information, future developments or otherwise, unless required by the Prospectus Rules of the UKLA, the AIM Rules or the Disclosure Rules, as appropriate. All subsequent written and oral forward-looking statements attributable to the Company or individuals acting on behalf of the Company are expressly qualified in their entirety by this paragraph. Prospective investors should specifically consider the factors identified in this document which could cause actual results to differ before making an investment decision.

**PART III**  
**FINANCIAL INFORMATION**  
**INTRODUCTION TO THE HISTORICAL FINANCIAL INFORMATION**  
**OF THE GROUP**  
**RIGHTSTER GROUP PLC**

The Company was incorporated on 30 October 2013. The Company is incorporated under the Companies Act with a financial year end of 31 December.

Since the date of its incorporation, the Company has not yet commenced operations and it has no material assets or liabilities, and therefore no financial statements have been prepared as at the date of this document, and no separate historical financial information on the Company is presented in this document.

Refer to paragraph 7.1(l) of Part VI of this document for details on the Share Exchange.

**ENTITIES INCLUDED WITHIN THE HISTORICAL FINANCIAL INFORMATION**

The historical financial information for the Rightster Limited Group for the circa eleven month period from incorporation to 31 March 2012, nine months ended 31 December 2012 and six months ended 30 June 2013, as presented in Part III.B of this document, includes the following entities from their date of incorporation or acquisition by Rightster:

- Rightster Limited (United Kingdom)
- Rightster, Inc. (United States)
- Rightster India LLP (India)
- Rightster (Gibraltar) Limited (Gibraltar)
- Preview Networks ApS (Denmark)

(together, the “Rightster Limited Group”)

Rightster initially had a financial year end of 31 March. During calendar year 2012 Rightster changed its financial year end to 31 December.

The Rightster Limited Group constitutes all of the trading entities of the Group to be formed when, conditional upon Admission, the Company acquires Rightster through the Share Exchange.

Note: the interim financial information for the six months ended 30 June 2012 presented in Part III has been included for comparative purposes only and is unaudited.

## PART III

### HISTORICAL FINANCIAL INFORMATION

#### SECTION A – ACCOUNTANT’S REPORT ON THE HISTORICAL FINANCIAL INFORMATION OF THE RIGHTSTER LIMITED GROUP

The Directors and Proposed Directors  
Rightster Group plc  
33 Cavendish Square  
London  
W1G 0PW

11 November 2013

Dear Sirs

##### **Accountant’s Report on the historical financial information of the Rightster Limited Group for the periods ended 31 March 2012, 31 December 2012 and 30 June 2013**

We report on the consolidated historical financial information of Rightster Limited and its subsidiary undertakings (together, the “Rightster Limited Group”) for the period from incorporation to 30 June 2013 as set out in Part III.B of this AIM admission document (the “Historical Financial Information”). The Historical Financial Information has been prepared for inclusion in the AIM admission document of Rightster Group plc (the “Issuer”) dated 11 November 2013 (the “Admission Document”) on the basis of preparation and under the accounting policies set out in notes 2 and 3 of the Historical Financial Information.

We have not audited or reviewed the financial information for the six months ended 30 June 2012, which has been included for comparative purposes only, and accordingly do not express an opinion thereon.

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

##### **Responsibilities**

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

As described in note 2 of the Historical Financial Information, the directors of the Issuer are responsible for preparing the Historical Financial Information on the basis of preparation set out in note 2 to the Historical Financial Information and in accordance with International Financial Reporting Standards as adopted by the European Union (“IFRS”).

It is our responsibility to form an opinion on the Historical Financial Information as to whether the Historical Financial Information gives a true and fair view, for the purposes of the Admission Document, and to report our opinion to you.

##### **Basis of opinion**

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

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

### **Opinion**

In our opinion, the Historical Financial Information gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of the Rightster Limited Group as at the dates stated and of its results, cash flows and changes in equity for the periods then ended in accordance with the basis of preparation set out in note 2 to the Historical Financial Information and in accordance with IFRS as described in note 3 to the Historical Financial Information.

### **Declaration**

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

Yours faithfully

Grant Thornton UK LLP  
London

**PART III**

**FINANCIAL INFORMATION**

**SECTION B — HISTORICAL FINANCIAL INFORMATION OF THE  
RIGHTSTER LIMITED GROUP**

**Consolidated Income Statement and Consolidated Statement of Comprehensive Income**

For the periods ended 31 March 2012, 31 December 2012 and 30 June 2013

	Note	11 Months to 31 March 2012 £	9 Months to 31 December 2012 £	(unaudited) 6 Months to 30 June 2012 £	6 Months to 30 June 2013 £
Total revenues including commission share		325,403	2,774,843	325,944	4,847,655
Less commission share		(31,955)	(919,907)	(123,891)	(1,352,046)
<b>Revenue</b>		<b>293,448</b>	<b>1,854,936</b>	<b>202,053</b>	<b>3,495,609</b>
Cost of sales		(222,412)	(5,328,408)	(119,240)	(3,426,320)
Gross profit / (loss)		71,036	(3,473,472)	82,813	69,289
Research and development expenses		(1,194,745)	(2,219,034)	(819,978)	(2,541,826)
Administration		(1,711,244)	(6,247,571)	(1,809,793)	(5,618,729)
Share of result in associates		—	5,837	—	9,022
Operating loss	6	(2,834,953)	(11,934,540)	(2,546,958)	(8,082,244)
Finance income		—	225	—	128
Finance costs	7	(80,970)	(175,281)	(106,541)	(581,088)
Other income		—	—	—	114,016
<b>Loss before tax</b>	6	<b>(2,915,923)</b>	<b>(12,109,596)</b>	<b>(2,653,499)</b>	<b>(8,549,188)</b>
<b>Analysed as</b>					
Loss before tax adjusted for non-cash charges & R&D costs		(1,508,738)	(9,768,799)	(1,722,989)	(5,786,435)
Research & development		(1,194,745)	(2,219,035)	(819,978)	(2,541,826)
Depreciation		(4,107)	(80,095)	(6,365)	(119,543)
Amortisation		(208,333)	(41,667)	(104,167)	(101,384)
Loss before tax		(2,915,923)	(12,109,596)	(2,653,499)	(8,549,188)
Income tax expense	8	18,903	(4,026)	(7,335)	20,657
<b>Loss attributable to equity holders of the parent</b>		<b>(2,897,020)</b>	<b>(12,113,622)</b>	<b>(2,660,834)</b>	<b>(8,528,531)</b>
<b>CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME</b>					
Loss for the year		(2,897,020)	(12,113,622)	(2,660,834)	(8,528,531)
<b>Other comprehensive income:</b>					
Exchange differences on translation of foreign operations		—	—	—	(1,800)
<b>Total comprehensive income for the year attributable to owners of the parent</b>		<b>(2,897,020)</b>	<b>(12,113,622)</b>	<b>(2,660,834)</b>	<b>(8,530,331)</b>
<b>Loss per share (basic and diluted)</b>					
Basic and diluted loss per ordinary share (pence)	9	14.8p	6.1p	2.7p	3.7p
Basic and diluted loss per Series A Preferred share (pence)	9	14.8p	6.1p	2.7p	3.7p
Basic and diluted loss per Series B Preferred share (pence)	9	—	6.1p	2.7p	3.7p

All transactions arise from continuing operations.

## Consolidated Statement of Financial Position

As at 31 March 2012, 31 December 2012 and 30 June 2013

	Note	At 31 March 2012 £	At 31 December 2012 £	(unaudited) At 30 June 2012 £	At 30 June 2013 £
<b>ASSETS</b>					
<b>Non-current</b>					
Goodwill	11	—	487,376	—	1,865,643
Other intangible assets	11	41,667	—	—	794,912
Property, plant and equipment	12	36,278	623,406	69,238	542,666
Investments accounted for using the equity method	22	—	18,383	—	28,691
Deferred tax asset	14	18,903	14,877	32,767	—
<b>Non-current assets</b>		<b>96,848</b>	<b>1,144,042</b>	<b>102,005</b>	<b>3,231,912</b>
<b>Current</b>					
Trade and other receivables	15	372,152	2,475,703	600,259	2,148,126
Cash and cash equivalents		155,084	1,212,585	379,433	417,724
		527,236	3,688,288	979,692	2,565,850
<b>Liabilities</b>					
Trade and other payables	16	(678,061)	(4,083,389)	(908,906)	(5,191,673)
Borrowings and other financial liabilities	17	(1,839,800)	(7,500,000)	(3,714,842)	(15,545,280)
Derivative financial instruments	18	—	—	—	(198,474)
<b>Current liabilities</b>		<b>(2,517,861)</b>	<b>(11,583,389)</b>	<b>(4,623,748)</b>	<b>(20,935,427)</b>
<b>Non-current Liabilities</b>					
Deferred tax	14	—	—	—	(143,725)
<b>Net Liabilities</b>		<b>(1,893,777)</b>	<b>(6,751,059)</b>	<b>(3,542,051)</b>	<b>(15,281,390)</b>
<b>Equity</b>					
Share capital	19	3,343	3,353	3,343	3,353
Share premium		999,900	8,256,230	999,900	8,256,230
Translation reserve		—	—	—	(1,800)
Retained earnings		(2,897,020)	(15,010,642)	(4,545,294)	(23,539,173)
<b>Total equity</b>		<b>(1,893,777)</b>	<b>(6,751,059)</b>	<b>(3,542,051)</b>	<b>(15,281,390)</b>



## Consolidated Statement of Cash Flows

For the periods ended 31 March 2012, 31 December 2012 and 30 June 2013

	11 Months to 31 March 2012 £	9 Months to 31 December 2012 £	(unaudited) 6 Months to 30 June 2012 £	6 Months to 30 June 2013 £
<b>Operating activities</b>				
Loss before tax	(2,915,923)	(12,109,596)	(2,653,499)	(8,549,188)
Adjustments:				
Depreciation and amortisation	212,440	121,762	110,532	220,927
Finance income	—	(225)	—	(128)
Finance costs	80,970	175,281	106,541	581,088
Share of loss from associates	—	(5,837)	—	(9,022)
(Increase)/ decrease in trade & other receivables	(372,152)	(2,103,551)	(531,618)	902,596
Increase / (decrease) in trade and other payables	437,091	3,290,125	232,045	(704,681)
Cash outflow from operating activities	<u>(2,557,574)</u>	<u>(10,632,041)</u>	<u>(2,735,999)</u>	<u>(7,558,408)</u>
<b>Investing activities</b>				
Purchase of property plant and equipment	(40,385)	(667,223)	(57,482)	(38,803)
Purchase of intangible assets	(90,000)	(60,000)	—	(10,000)
Investment in associate	—	(243,750)	—	—
Interest received	—	225	—	128
Cash outflow from investing activities	<u>(130,385)</u>	<u>(970,748)</u>	<u>(57,482)</u>	<u>(48,675)</u>
<b>Cash flows from financing activities</b>				
Issue of share capital	1,003,243	7,256,340	1,002,243	—
Issue of loan notes and other borrowings	1,839,800	5,403,950	1,885,524	6,468,227
Net cash inflow from financing	<u>2,843,043</u>	<u>12,660,290</u>	<u>2,887,767</u>	<u>6,468,227</u>
<b>Net change in cash and cash equivalents</b>	<u>155,084</u>	<u>1,057,501</u>	<u>94,286</u>	<u>(1,138,856)</u>
<b>Movement in net cash</b>				
Cash	—	155,084	285,147	1,212,585
Bank overdraft	—	—	—	—
Cash and cash equivalents, beginning of period	—	155,084	285,147	1,212,585
Cash acquired with acquisition	—	—	—	4,512
Increase/(decrease) in cash and cash equivalents	<u>155,084</u>	<u>1,057,501</u>	<u>94,286</u>	<u>(1,138,856)</u>
<b>Cash and cash equivalents, end of period</b>	<u>155,084</u>	<u>1,212,585</u>	<u>379,433</u>	<u>78,241</u>
Cash	155,084	1,212,585	379,433	417,724
Bank overdraft	—	—	—	(339,483)
Cash and cash equivalents, end of period	<u>155,084</u>	<u>1,212,585</u>	<u>379,433</u>	<u>78,241</u>

## Consolidated Statement of Changes in Equity

For the periods ended 31 March 2012, 31 December 2012 and 30 June 2013

	Share capital £	Share premium £	Translation reserve	Retained earnings £	Total Equity £
Shares issued during the period	3,343	999,900	—	—	1,003,243
Transactions with owners	3,343	999,900	—	—	1,003,243
Loss and total comprehensive income for the period	—	—	—	(2,897,020)	(2,897,020)
<b>At 31 March 2012</b>	<b>3,343</b>	<b>999,900</b>	<b>—</b>	<b>(2,897,020)</b>	<b>(1,893,777)</b>
Shares issued /subdivided during the period	10	7,256,330	—	—	7,256,340
Transactions with owners	10	7,256,330	—	—	7,256,340
Loss and total comprehensive income for the period	—	—	—	(12,113,622)	(12,113,622)
<b>At 31 December 2012</b>	<b>3,353</b>	<b>8,256,230</b>	<b>—</b>	<b>(15,010,642)</b>	<b>(6,751,059)</b>
Shares issued during the period	—	—	—	—	—
Transactions with owners	—	—	—	—	—
Loss and total comprehensive income for the period	—	—	(1,800)	(8,528,531)	(8,530,331)
<b>At 30 June 2013</b>	<b>3,353</b>	<b>8,256,230</b>	<b>(1,800)</b>	<b>(23,539,173)</b>	<b>(15,281,390)</b>

### Reconciliation for the 6 Month to 30 June 2012 (unaudited)

<b>At 1 January 2012</b>	1,000	—	—	(1,884,460)	(1,883,460)
Shares issued during the period	2,343	999,900	—	—	1,002,243
Transactions with owners	2,343	999,900	—	—	1,002,243
Loss and total comprehensive income for the period	—	—	—	(2,660,834)	(2,660,834)
<b>At 30 June 2012</b>	<b>3,343</b>	<b>999,900</b>	<b>—</b>	<b>(4,545,294)</b>	<b>(3,542,051)</b>

## Notes to the Historical Financial Information

For the periods ended 31 March 2012, 31 December 2012 and 30 June 2013

### 1 Rightster Limited

Rightster is an online video distribution and marketing network, providing rights holders, online publishers and advertisers with a publisher network to engage audiences and enhance digital revenues. The address of Rightster Limited's registered office is 33 Cavendish Square, London, W1G 0PW.

### 2 Basis of preparation

The Historical Financial Information of Rightster Limited and its subsidiary undertakings (together "the Rightster Limited Group") for the periods ended 31 March 2012, 31 December 2012 and 30 June 2013, as set out in this Part III.B, has been prepared by the Directors of Rightster Group plc. The financial information for the six months ended 30 June 2012 has been included for comparative purposes only and is unaudited.

The Historical Financial Information does not constitute statutory accounts within the meaning of section 434 of Companies Act 2006.

The Directors of Rightster Group plc are solely responsible for preparation of this Historical Financial Information.

The Historical Financial Information of the Rightster Limited Group has been prepared from the date of incorporation of 16 May 2011 in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union (EU) and the Companies Act 2006 applicable to companies reporting under IFRS. The Historical Financial Information has been prepared primarily under the historical cost convention. Areas where other bases are applied are identified in the accounting policies below.

#### 2.1. Adoption of new and revised standards

At the date of authorisation of these historical financial information, certain new standards, amendments and interpretations to existing standards have been published by the IASB but are not yet effective, and have not been adopted early by the Rightster Limited Group. Management anticipates that all of the relevant pronouncements will be adopted in the Rightster Limited Group's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Rightster Limited Group's Historical Financial Information is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Rightster Limited Group's historical financial information.

- IFRS 9 Financial instruments: Classification and measurement 1 January 2015
- IFRS 10 Consolidated Financial Statements 1 January 2014
- IFRS 11 Joint Arrangements 1 January 2014
- IFRS 12 Disclosure of Interests in Other Entities 1 January 2014
- IFRS 13 Fair Value Measurement 1 January 2013
- IAS 28 (Revised) Investments in Associates and Joint Ventures 1 January 2014
- Amendments to IAS 1 Presentation of Items of Other Comprehensive Income 1 July 2012
- Amendments to IAS 32\* Offsetting Financial Assets and Financial Liabilities 1 January 2014
- Mandatory Effective Date and Transition Disclosures – Amendments to IFRS 9 and IFRS 7 (effective 1 January 2015)

## **2.2. First-time adoption of IFRS**

The Historical Financial Information is prepared in accordance with IFRS using the measurement basis specified by IFRS for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies in note 3. The date of transition to IFRS is 16 May 2011.

The Rightster Limited Group has applied IFRS 1 First-time Adoption of International Financial Reporting Standards (as revised in 2011) in preparing this first IFRS Historical Financial Information. The effects of the transition to IFRS on equity, total comprehensive income and reported cash flows are presented in note 26.

## **3 Summary of accounting policies**

### **Overall considerations and first time adoption of IFRS**

These accounting policies have been used throughout all periods presented in the financial statements, except where the Rightster Limited Group has applied certain accounting policies and exemptions upon transition to IFRS. The exemptions applied by the Rightster Limited Group and the effects of transition to IFRS are presented in note 26.

The Company's presentation and functional currency is £ (Sterling).

### **3.1. Presentation of financial statements in accordance with IAS 1 (Revised 2007)**

The Historical Financial Information is presented in accordance with IAS 1 Presentation of Financial Statements (Revised 2007).

In accordance with IFRS 1, the Rightster Limited Group presents four statements of financial position in its first IFRS financial statements. The period to 30 June 2012 is unaudited. In future periods, the Rightster Limited Group will present two comparative periods for the statement of financial position only when it: (i) applies an accounting policy retrospectively, (ii) makes a retrospective restatement of items in its financial statements, or (iii) reclassifies items in the financial statements.

### **3.2. Basis of consolidation**

The Rightster Limited Group Historical Financial Information consolidates the financial statements of the parent company and all of its subsidiary undertakings drawn up to 30 June 2013. Subsidiaries are all entities over which the Rightster Limited Group has the power to control the financial and operating policies. Rightster Limited obtains and exercises control through more than half of the voting rights for all its subsidiaries. All subsidiaries are consolidated from the acquisition date, which is the date from which control passes to Rightster Limited.

Unrealised gains and losses on transactions between Rightster Limited Group companies are eliminated. Where recognised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Rightster Limited Group.

Business combinations are dealt with by the acquisition method. The acquisition method involves the recognition at fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities of the subsidiary are included in the consolidated balance sheet at their fair values, which are also used as the basis for subsequent measurement in accordance with the Rightster Limited Group accounting policies. Goodwill is stated after separating out identifiable intangible assets. Goodwill represents the excess of fair value of consideration transferred over the fair value of the Rightster Limited Group's share of the identifiable net assets of the acquired subsidiary at the date of acquisition.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

### 3.3. Investments in associates

Associates are those entities over which the Rightster Limited Group is able to exert significant influence. Investments in associates are initially recognised at cost and subsequently accounted for using the equity method.

All subsequent changes to the Rightster Limited Group's share of interest in the equity of the associate are recognised in the carrying amount of the investment. Changes resulting from the profit or loss generated by the associate are reported within 'Share of profit from equity accounted investments' in profit or loss. These changes include subsequent depreciation, amortisation or impairment of the fair value adjustments of assets and liabilities.

Changes resulting from other comprehensive income of the associate or items recognised directly in the associate's equity are recognised in other comprehensive income or equity of the Rightster Limited Group, as applicable. However, when the Rightster Limited Group's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured receivables, the Rightster Limited Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the investor resumes recognising its share of those profits only after its share of the profits exceeds the accumulated share of losses that has previously not been recognised.

Unrealised gains and losses on transactions between the Rightster Limited Group and its associates are eliminated to the extent of the Rightster Limited Group's interest in those entities. Where unrealised losses are eliminated, the underlying asset is also tested for impairment losses from a group perspective.

Amounts reported in the financial statements of associates have been adjusted where necessary to ensure consistency with the accounting policies of the Rightster Limited Group.

### 3.4. Revenue

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business, net of discounts and sales related taxes.

Revenue is recognised when the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity, the costs incurred or to be incurred can be measured reliably and when the criteria for each of the Rightster Limited Group's different activities has been met.

#### *Gross versus net revenue recognition*

The Rightster Limited Group's primary market offering is a network or exchange whereby owners and licensors of video rights (rights holder/content owner) monetise these rights by loading the videos onto the network and allowing Publishers, through access to the network, to embed the video in their websites. The ultimate source of revenue is from a third party, either an advertiser (media agency or brand) or the consumer themselves who pay a subscription fee for access to the video.

In the normal course of business, the Rightster Limited Group therefore acts as an agent in executing transactions between these third parties.

In connection with these arrangements, the Rightster Limited Group must determine whether to report revenue based on the gross amount billed to the ultimate customer or on the net amount received from the customer after commissions and other payments to third parties. To the extent revenues are recorded on a gross basis, any commissions or other payments to third parties are recorded as expense so that the net amount (gross revenues less expense) is reflected in Operating Profit. Accordingly, the impact on Operating Profit is the same whether the Rightster Limited Group records revenue on a gross or net basis.

The determination of whether revenue should be reported on a gross or net basis is based on an assessment of whether the Rightster Limited Group is acting as the principal or an agent in the transaction. If the Rightster Limited Group is acting as a principal in a transaction, the Rightster Limited Group reports revenue on a gross basis. If the Rightster Limited Group is acting as an agent in a transaction, the Rightster Limited Group reports

revenue on a net basis. The determination of whether the Rightster Limited Group is acting as a principal or an agent in a transaction involves judgment and is based on an evaluation of the terms of an arrangement.

For contracts where an agent relationship exists, the aggregate revenue booked by the Rightster Limited Group is recognised as Revenue Under Management (or Gross revenue). The Net revenue represents Revenue Under Management, less revenue shares payable to publishers and content owners.

#### *Revenue share*

Revenue share agreements are in place on contracts with publishers and content owners. For these contracts, revenue is recognised in line with services performed under the respective contracts and over the period over which the services are performed. The Gross revenues are received by the Rightster Limited Group and represent Revenue Under Management. The revenue share payable to the publishers and content owners is recognised as a deduction to Revenue Under Management in order to derive net revenue.

#### *Licence fees*

Licence fees are recognised over the period of the licensing agreement.

#### *Direct to consumer*

Services or content are provided direct to the consumer. For these contracts, revenue is recognised over the subscription period. Where the subscription period is a month or a week, the full subscription fee received is recognised in the month of receipt. For subscriptions longer than a month, revenue is recognised evenly over the subscription period.

#### *Usage fees*

Usage fees are chargeable to customers in accordance with the services consumed or accessed over a given period. Services include the provision of bandwidth, storage and Ad server fees. Revenue is recognised when the services are provided, based on contracted rates.

#### *Professional services*

A range of professional services are provided to customers including YouTube channel management and live streaming services. Revenue is recognised when the Rightster Limited Group has performed the obligations necessary under the contract to fulfil those contractual obligations.

### **3.5. Interest and dividend income**

Interest income and expenses are reported on an accrual basis using the effective interest method. Dividend income, other than that from investments in associates, is recognised at the time the right to receive payment is established.

### **3.6. Foreign currency translation**

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Non-monetary items that are measured at historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Any exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were initially recorded are recognised in the profit or loss in the period in which they arise.

The assets and liabilities in the financial statements of foreign subsidiaries and related goodwill are translated at the rate of exchange ruling at the balance sheet date. Income and expenses are translated at the actual rate. The exchange differences arising from the retranslation of the opening net investment in subsidiaries and on income and expenses during the year are recognised in other comprehensive income and taken to the “translation

reserve” in equity. On disposal of a foreign operation the cumulative translation differences (including, if applicable, gains and losses on related hedges) are transferred to the income statement as part of the gain or loss on disposal.

### **3.7. Segment reporting**

IFRS 8 requires operating segments to be identified on the same basis as is used internally for the review of performance and allocation of resources by the Group Chief Executive (chief operating decision maker – CODM). In assessing the Rightster Limited Group’s reportable segments, the board have had regard to the similar economic characteristics of certain operating segments, their similar customer base, the similar nature of their products or services and their long-term margins, amongst other factors.

The board has reviewed the Rightster Limited Group and all revenues are functional activities of monetising content on-line and these activities take place on an integrated basis. The senior executive team review the financial information on an integrated basis for the Rightster Limited Group as a whole, with respective heads of business who are geographically located and in accordance with IFRS 8, the Company will be providing only a geographical split as it considers that all activities fall within one segment of business which is monetising content on-line.

Corporate assets which are not directly attributable to the business activities of any operating segment are not allocated.

Segmental information is presented in accordance with IFRS 8 for all periods presented.

### **3.8. Leasing**

Rentals payable under operating leases are charged to the income statement on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

### **3.9. Property, plant and equipment**

Property, plant and equipment is stated at historical cost less accumulated depreciation and impairment. Depreciation is calculated to write down the cost less estimated residual value of all property, plant and equipment by equal annual instalments over their expected useful lives less estimated residual values, using the straight line method. The rates generally applicable are:

Fixtures & Fittings	3 years straight line basis
Computer equipment	3 years straight line basis

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

The asset’s residual value and useful lives are reviewed, and adjusted if required, at each balance sheet date. The carrying amount of an asset is written down immediately to its recoverable amount if the carrying amount is greater than its estimated recoverable amount.

### **3.10. Impairment of property, plant and equipment**

At each balance sheet date, the Rightster Limited Group reviews the carrying amounts of its property, plant and equipment to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Rightster Limited Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant assets are carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

### **3.11. Intangible assets**

An intangible asset, which is an identifiable non-monetary asset without physical substance, is recognised to the extent that it is probable that the expected future economic benefits attributable to the asset will flow to the Rightster Limited Group and that its cost can be measured reliably. The asset is deemed to be identifiable when it is separable or when it arises from contractual or other legal rights.

Intangible assets acquired as part of a business combination, are shown at fair value at the date of the acquisition less accumulated amortisation. Amortisation is charged on a straight line basis through the profit or loss. The rates applicable, which represent the directors' best estimate of the useful economic life, are:

- Customer relationships – 5 years
- Technology – 1-2 years
- Software – 3 years

### **3.12. Impairment of intangible assets**

At each balance sheet date, the Rightster Limited Group reviews the carrying amounts of its intangible assets goodwill to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Rightster Limited Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

#### *Goodwill*

All business combinations are accounted for by applying the acquisition method. Goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired. Identifiable intangibles are those which can be sold separately or which arise from legal rights regardless of whether those rights are separable.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but tested annually for impairment. Impairment losses in respect of goodwill cannot be subsequently reversed.

### **3.13. Development costs**

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



- Completion of the asset is technically feasible so that it will be available for use or sale
- The group intends to complete the asset and use or sell it
- The group has the ability to use or sell the asset and the asset will generate probable future economic benefits (over and above cost)
- There are adequate technical, financial and other resources to complete the development and to use or sell the asset, and
- The expenditure attributable to the asset during its development can be measured reliably.

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

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

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

### **3.14. Taxation**

Tax expense recognised in profit or loss comprise the sum of the tax currently payable and deferred tax not recognised in other comprehensive income or directly in equity.

#### **Current tax**

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Rightster Limited Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

#### **Deferred tax**

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be recognised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries except where the group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to recognise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the

asset recognised based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Rightster Limited Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Rightster Limited Group intends to settle its current tax assets and liabilities on a net basis.

### **3.15. Financial Instruments**

#### **Financial Assets**

Financial assets are recognised when the Rightster Limited Group becomes a party to the contractual provisions of the financial instrument.

#### **Loans and receivables**

Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured using the effective interest method less provision for any impairment.

#### **Financial liabilities and equity instruments**

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

#### **Financial liability instruments**

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

- The "host" debt instrument being a non-convertible debt. The host contract is recognised at amortised cost using the effective interest rate.
- The embedded derivative reflecting the conversion feature, which is carried at fair value through the profit or loss.

The valuation of the embedded derivatives are performed at inception of the loan and at each reporting date thereafter.

### **3.16. Equity, reserves and dividend payments**

Share capital represents the nominal value of shares that have been issued.

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

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

Translation reserve – this represents the differences arising from translation of investments in overseas subsidiaries.

Dividend distributions payable to equity shareholders are included in 'other liabilities' when the dividends have been approved in a general meeting prior to the reporting date.

### **3.17. Cash and cash equivalents**

Cash and cash equivalents include cash in hand, deposits held at call with banks, together with other short-term highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of change in value, bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

### **3.18. Employee benefits**

The Rightster Limited Group operates a defined contribution pension plan on behalf of its employees, amounts due are expensed as they fall due.

### **3.19. Going concern**

Rightster Limited was incorporated in May 2011 and has incurred significant losses since incorporation. In the opinion of the Rightster Limited Group's board of directors these losses are consistent with the financial profile of the early life of a "Software as a Service" technology company: upfront investment is made in scoping, designing and building the technology platform along with investment in customer facing staff who take the platform to market. This investment outstrips revenues for a substantial period but in time the investment in R&D is expected to stabilise, whilst new revenues are expected to contribute to an increasing operating margin. The consequence of developing a single technology platform is that additional revenues deliver a very high gross margin as the investment in the platform has already been made.

On a monthly basis, and at the end of each reporting period, the Rightster Limited Group's board of directors reviews the cash facilities of the company and assesses its ability to continue to fund its ongoing operations in order to confirm that the Rightster Limited Group continues to be a going concern.

In early August, the Rightster Limited Group's board of directors agreed to proceed with seeking admission to the AIM, a market operated by the London Stock Exchange Plc "AIM". The board of directors believes that admission to trading on AIM is highly likely to take place within November 2013. A requirement of admission to trading on AIM is the raising of sufficient funds to meet the Rightster Limited Group's working capital requirements for the period of at least 12 months from admission to AIM, and the board of directors therefore believes that it is appropriate for the Rightster Limited Group's Historical Financial Information be prepared on the basis that the Rightster Limited Group is a going concern.

### **3.20. Share based payments**

Employees (including Directors) of the Rightster Limited Group received remuneration in the form of share-based payment transactions, whereby employees render services in exchange for rights over shares ('equity-settled transactions'). The Rightster Limited Group has applied the requirements of IFRS 2 share-based payments to all grants of equity instruments. The transactions have been treated as equity settled.

The cost of equity settled transactions with employees is measured by reference to the fair value at the grant date of the equity instrument granted. The fair value is determined by using the Black-Scholes method. The cost of equity-settled transactions are recognised, together with a corresponding charge to equity, over the period between the date of grant and the end of a vesting period, where relevant employees become fully entitled to the award. The total value of the options has been pro-rated and allocated on a weighted average basis.

## **4 Critical accounting judgements and key sources of estimation uncertainty**

The preparation of historical financial information under IFRS requires the Rightster Limited Group to make estimates and assumptions that affect the application of policies and reported amounts. Estimates and judgements are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and assumptions which have a risk of causing a material adjustment to the carrying amount of assets and liabilities are discussed below.

### *Impairment of goodwill*

The Rightster Limited Group is required to test, at least annually, whether goodwill has suffered any impairment. The recoverable amount is determined based on value in use calculations. The use of this method requires the estimation of future cash flows attributable to the acquired cash-generating unit and the choice of a suitable discount rate in order to calculate the present value of these cash flows. Actual outcomes could vary.

#### *Intangible assets and impairments*

The Rightster Limited Group recognises the intangible assets acquired as part of business combinations at fair value at the date of acquisition. The determination of these fair values is based upon management's and the directors' judgement and includes assumptions on the timing and amount of future incremental cash flows generated by the assets and selection of an appropriate discount rate. Furthermore management must estimate the expected useful lives of intangible assets and charge amortisation on these assets accordingly.

#### *Derivative financial instruments*

The Rightster Limited Group is required to measure the fair value of its derivative financial instruments. The fair value is determined using the Black-Scholes method which requires assumptions regarding exchange rate volatility, the risk free rate, share price volatility and the expected life of the derivative financial instrument. Exchange rate volatility is calculated using historical data over the past three years. The volatility of the Company's share price has been calculated as the average of similar listed companies over the preceding periods. The risk-free rate used is 0.4% and management, including the directors, have estimated the expected life of the derivative financial instrument as 6 months.

#### *Deferred taxation*

Deferred tax assets and liabilities have been recognised which are contingent and dependent upon future trading performance.

#### *Development costs*

Development costs incurred on specific projects are capitalised when certain conditions are satisfied. Careful judgement by the directors has been applied when deciding whether the recognition requirements for development costs are met. Judgements are based on the information available at each balance sheet date.

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

## **5 Segment reporting**

As explained in the summary of Accounting Policies, management generally identifies only one operating segment in the business, being monetising content on-line. This single operating segment is monitored and strategic decisions are made on the basis of this segment alone.

As a result only the geographic reporting of turnover analysis has been included in this note.

No customer accounted for more than 10% of the Rightster Limited Group's revenues. The breakdown of net assets and capital expenditure for geographic reporting has not been shown as it can only be provided as an arbitrary breakdown.

## Geographic reporting

Rightster has identified four geographic areas (UK & Ireland, USA, Europe and rest of the world) and the information is presented based on the customers' location.

	11 Months to 31 March 2012 £	9 Months to 31 December 2012 £	(unaudited) 6 Months to 30 June 2012 £	6 Months to 30 June 2013 £
Revenue				
United Kingdom & Ireland	306,642	2,681,640	325,944	2,642,077
United States of America	—	44,031	—	95,208
Europe	—	49,172	—	1,650,014
Rest of the world	18,761	—	—	460,356
<b>Total Revenue</b>	<b>325,403</b>	<b>2,774,843</b>	<b>325,944</b>	<b>4,847,655</b>
Less commission share	(31,955)	(919,907)	(123,891)	(1,352,046)
<b>Revenue</b>	<b>293,448</b>	<b>1,854,936</b>	<b>202,053</b>	<b>3,495,609</b>
Cost of sales	(222,412)	(5,328,408)	(119,240)	(3,426,320)
Gross profit/(loss)	71,036	(3,473,472)	82,813	69,289
Administration	(2,905,989)	(8,466,905)	(2,629,771)	(8,160,555)
Share of result in associates	—	5,837	—	9,022
Operating loss	(2,834,953)	(11,934,540)	(2,546,958)	(8,082,244)

## 6 Operating loss and loss before taxation

The operating loss and the loss before taxation are stated after:

	11 Months to 31 March 2012 £	9 Months to 31 December 2012 £	(unaudited) 6 Months to 30 June 2012 £	6 Months to 30 June 2013 £
Auditor's remuneration:				
– Audit services	7,500	85,500	8,333	17,000
– Tax advisory services	—	50,000	—	—
– Other services	—	100,500	—	—
Operating lease rentals – land and buildings	235,894	566,210	182,682	721,778
Depreciation: property, plant and equipment	4,107	80,095	6,365	119,543
Amortisation	208,333	41,667	104,167	101,384
Foreign exchange loss	—	38,599	7,832	957

## 7 Finance costs

	11 Months to 31 March 2012 £	9 Months to 31 December 2012 £	(unaudited) 6 Months to 30 June 2012 £	6 Months to 30 June 2013 £
Interest payable	80,970	175,281	106,541	529,844
Movement in fair value of derivative instruments	—	—	—	51,244
	<u>80,970</u>	<u>175,281</u>	<u>106,541</u>	<u>581,088</u>

## 8 Tax expense

Major components of tax expense

	11 Months to 31 March 2012 £	9 Months to 31 December 2012 £	(unaudited) 6 Months to 30 June 2012 £	6 Months to 30 June 2013 £
Current tax:				
UK corporation tax at 26%, 24%, 25%	—	—	—	—
<b>Foreign Tax</b>				
Overseas tax	—	—	—	—
Total current tax	—	—	—	—
<b>Deferred Tax:</b>				
Originations and reversal of timing differences	18,903	(4,026)	(7,335)	20,657
<b>Tax on profit on ordinary activities</b>	<u>18,903</u>	<u>(4,026)</u>	<u>(7,335)</u>	<u>20,657</u>

UK corporation tax is calculated at 26, 24 and 25 per cent, (26% March 2012, 24% December 2012, 25% June 2012, 24% June 2013) rates of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in those jurisdictions. The charge for the year can be reconciled to the profit per the income statement as follows:

Reconciliation of effective tax rate:

	11 Months to 31 March 2012 £	9 Months to 31 December 2012 £	(unaudited) 6 Months to 30 June 2012 £	6 Months to 30 June 2013 £
Loss on ordinary activities before tax	(2,915,923)	(12,109,596)	(2,653,499)	(8,549,188)
Income tax using the Rightster Limited Group's domestic tax rate 26%, 24%, 25%	(758,140)	(2,906,303)	(663,375)	(2,051,805)
Effect of:				
Expenses not deductible for tax purposes	37,366	94,057	23,852	215,732
Amortisation of intangible assets	54,167	10,000	26,042	24,332
Difference in capital allowances & depreciation/amortisation	(18,903)	4,026	7,335	(20,657)
Unutilised tax losses carried forward	666,607	2,802,246	613,481	1,811,741
Total tax charge for period	<u>(18,903)</u>	<u>4,026</u>	<u>7,335</u>	<u>(20,657)</u>

**9 Earnings per share**

Both the basic and diluted earnings per share have been calculated using the loss after tax attributable to shareholders of Rightster Limited as the numerator, i.e. no adjustments to losses were necessary in 2012 or 2013. The calculation of the basic loss per share is based on the loss attributable to ordinary shareholders divided by the weighted average number of shares in issue during the year.

	11 Months to 31 March 2012 £	9 Months to 31 December 2012 £	(unaudited) 6 Months to 30 June 2012 £	6 Months to 30 June 2013 £
Loss for the year attributable to ordinary shareholders (£)	(2,897,020)	(12,113,622)	(2,660,834)	(8,528,531)
Weighted average number of ordinary shares	17,291,712	33,333,333	33,333,333	33,333,333
Weighted average number of Series A Preferred shares	2,237,500	97,624,727	50,345,055	100,000,000
Weighted average number of Series B Preferred shares	—	66,340,508	14,103,846	96,749,998
Total weighted average number of shares	19,529,212	197,298,568	97,782,234	230,083,331
Basic and diluted loss per ordinary share (pence)	<u>14.8p</u>	<u>6.1p</u>	<u>2.7p</u>	<u>3.7p</u>
Basic and diluted loss per Series A Preferred share (pence)	<u>14.8p</u>	<u>6.1p</u>	<u>2.7p</u>	<u>3.7p</u>
Basic and diluted loss per Series B Preferred share (pence)	<u>—</u>	<u>6.1p</u>	<u>2.7p</u>	<u>3.7p</u>

## 10 Directors and employees

The average number of persons (including directors) employed by the Rightster Limited Group during the years were:

	11 Months to 31 March 2012 Number	9 Months to 31 December 2012 Number	(unaudited) 6 Months to 30 June 2012 Number	6 Months to 30 June 2013 Number
Finance and Administration	4	11	6	24
Technology	28	106	31	121
Sales	8	44	14	55
	<u>40</u>	<u>161</u>	<u>51</u>	<u>200</u>

The aggregate cost of these employees was:

	11 Months to 31 March 2012 £	9 Months to 31 December 2012 £	(unaudited) 6 Months to 30 June 2012 £	6 Months to 30 June 2013 £
Wages and salaries	968,472	3,671,621	1,037,381	3,467,513
Payroll taxes	498,150	304,272	268,854	415,050
Pension contributions	—	83,915	15,479	76,299
	<u>1,466,622</u>	<u>4,059,808</u>	<u>1,321,714</u>	<u>3,958,862</u>

Directors emoluments paid during the period were:

	11 Months to 31 March 2012 £	9 Months to 31 December 2012 £	(unaudited) 6 Months to 30 June 2012 £	6 Months to 30 June 2013 £
Emoluments	<u>154,500</u>	<u>229,100</u>	<u>207,000</u>	<u>161,100</u>

The highest paid director received emoluments totalling March 2012 £140,000, December 2012 £220,100, June 2013 £90,000.



## 11 Intangible assets

	Goodwill £	Software £	Technology £	Customer Relationships £	Total £
<b>Cost</b>					
Additions	—	250,000	—	—	250,000
Disposals	—	—	—	—	—
At 31 March 2012	—	250,000	—	—	250,000
Additions	487,376	—	—	—	487,376
Disposals	—	—	—	—	—
At 31 December 2012	487,376	250,000	—	—	737,376
Additions	1,378,267	—	—	—	1,378,267
Acquired with subsidiary	—	—	490,962	405,334	896,296
Disposals	—	—	—	—	—
At 30 June 2013	1,865,643	250,000	490,962	405,334	3,011,939
<b>Amortisation</b>					
Charge for the year	—	208,333	—	—	208,333
Disposals	—	—	—	—	—
At 31 March 2012	—	208,333	—	—	208,333
Charge for the year	—	41,667	—	—	41,667
Disposals	—	—	—	—	—
At 31 December 2012	—	250,000	—	—	250,000
Charge for the period	—	—	85,393	15,991	101,384
Disposals	—	—	—	—	—
At 30 June 2013	—	250,000	85,393	15,991	351,384
<b>Net Book Value</b>					
At 30 June 2013	1,865,643	—	405,569	389,343	2,660,555
At 31 December 2012	487,376	—	—	—	487,376
At 31 March 2012	—	41,667	—	—	41,667

<b>Reconciliation for the 6 months to 30 June 2012 – Unaudited</b>					
Cost at 1 January 2012	—	250,000	—	—	250,000
Additions	—	—	—	—	—
Disposals	—	—	—	—	—
At 30 June 2012	—	250,000	—	—	250,000
<b>Amortisation</b>					
At 1 January 2012	—	145,833	—	—	145,833
Charge for the year	—	104,167	—	—	104,167
At 30 June 2012	—	250,000	—	—	250,000
<b>Net Book Value</b>					
At 1 January 2012	—	104,167	—	—	104,167
At 30 June 2012	—	—	—	—	—

Goodwill is not amortised, but tested annually for impairment with the recoverable amount being determined from value in use calculations.

As at 31 December 2012 and 30 June 2013, goodwill has been assessed for impairment at the Rightster Limited Group level as revenues are generated from a single cash generating unit, the monetisation of online context. This represents the lowest level at which the goodwill is monitored for internal management purposes.

The recoverable amount of the cash generating unit has been determined based on value in use. Value in use has been determined based on the future cash flows after considering current economic conditions and trends, estimated future operating results, growth rates and anticipated future economic conditions.

As at 30 June 2013, for assessing impairment of goodwill and intangibles, the estimated cash flows for a period of 5 years were developed using internal forecasts, and a pre-tax discount rate of 15%. The cash flows beyond 5 years have been extrapolated assuming zero growth rates. The key assumptions are based on new customers and forecasts, which are determined through a combination of management's views, market estimates and forecasts and other sector information.

## 12 Property, plant and equipment

	Computer Equipment £	Fixtures & fittings £	Total £
<b>Cost</b>			
Additions	30,411	9,974	40,385
Disposals	—	—	—
At 31 March 2012	30,411	9,974	40,385
Additions	658,976	8,247	667,223
At 31 December 2012	689,387	18,221	707,608
Additions	31,872	6,931	38,803
Disposals	—	—	—
At 30 June 2013	721,259	25,152	746,411
<b>Depreciation</b>			
Charge for the period	1,559	2,548	4,107
Disposals	—	—	—
At 31 March 2012	1,559	2,548	4,107
Charge for the period	79,877	218	80,095
Disposals	—	—	—
At 31 December 2012	81,436	2,766	84,202
Charge for the period	115,928	3,615	119,543
Disposals	—	—	—
At 30 June 2013	197,364	6,381	203,745
<b>Net Book Value</b>			
At 30 June 2013	523,895	18,771	542,666
At 31 December 2012	607,951	15,455	623,406
At 31 March 2012	28,852	7,426	36,278

<b>Reconciliation for the 6 months to 30 June 2012 – Unaudited</b>			
<b>Cost at 1 January 2012</b>	20,232	—	20,232
Additions	46,237	11,245	57,482
Disposals	—	—	—
At 30 June 2012	66,469	11,245	77,714
<b>Amortisation</b>			
At 1 January 2012	2,111	—	2,111
Charge for the year	5,474	891	6,365
At 30 June 2012	7,585	891	8,476
<b>Net Book Value</b>			
At 1 January 2012	18,121	—	18,121
At 30 June 2012	58,884	10,354	69,238

## 13 Acquisitions

### *Viral Management Limited*

On 18 October 2012 the Rightster Limited purchased 25% of the issued share capital of Viral Management Limited for consideration of £500,000, of which £243,750 was paid in cash and the balance in shares. The investment has been accounted for as an associate as detailed in note 22 and goodwill of £487,376 was recognised on acquisition representing expected synergies and other benefits from the combination.

### *Preview Networks ApS*

On 19 April 2013 Rightster Limited acquired the whole issued share capital of Preview Networks ApS. The consideration consisted of €1,443,000 unsecured convertible loan notes which convert into fully paid shares at a conversion price on a qualifying fundraising and €661,000 loan notes repayable by 31 May 2013.

The details of the acquisition are as follows:

	Consolidated Assets and Liabilities acquired		
	Book Value £	Fair Value Adjustments £	Fair Value £
<b>ASSETS</b>			
Other intangible assets	—	896,296	896,296
Deferred tax assets	735,221	(735,221)	—
Trade and other receivables	575,019	—	575,019
Cash and cash equivalents	4,512	—	4,512
Trade and other payables	(899,308)	—	(899,308)
Deferred tax liabilities	—	(179,259)	(179,259)
<b>Net assets acquired</b>	<b>415,444</b>	<b>(18,184)</b>	<b>397,260</b>
Goodwill capitalised			1,378,267
<b>Consideration given in the form of loan notes</b>			<b>1,775,527</b>

Goodwill relating to the acquisition amounted to £1,378,267. Goodwill represents the fair value of the expected synergies and other benefits from combining the net assets of Preview Networks ApS with those of Rightster Limited. Transaction expenses charged to the income statement were £142,634.

The Rightster Limited Group's results for the six months ended 30 June 2013 reflect post acquisition revenue from Preview Networks ApS of £314,244 and a loss before tax of £132,715. Had Preview Networks ApS been acquired on 1 January 2013, it would have contributed revenue of £1,081,956 and a profit before tax of £292,616.

## 14 Deferred taxation assets and liabilities

Deferred tax recognised:

	At 31 March 2012 £	At 31 December 2012 £	(unaudited) At 30 June 2012 £	At 30 June 2013 £
<b>Deferred tax assets</b>				
Difference in depreciation and capital allowances	18,903	14,877	32,767	15,257
<b>Deferred tax liabilities</b>				
Intangible assets	—	—	—	(158,982)
	<u>18,903</u>	<u>14,877</u>	<u>32,767</u>	<u>(143,725)</u>

The directors have prepared forecasts which indicate the tax losses carried forward will be used against future trading profits in the near future. Unutilised tax losses carried forward which have not been recognised as a deferred tax asset at 30 June 2013 were £21,465,507.

#### Reconciliation of movement in deferred tax

	Other temporary differences £	Depreciation in excess of capital allowances £	Total £
Recognised in the income statement	—	18,903	18,903
<b>As at 31 March 2012</b>	—	18,903	18,903
Recognised in the income statement	—	(4,026)	(4,026)
<b>As at 31 December 2012</b>	—	14,877	14,877
Acquired on acquisition	(179,259)	—	(179,259)
Recognised in the income statement	20,277	380	20,657
<b>As at 30 June 2013</b>	<b>(158,982)</b>	<b>15,257</b>	<b>143,725</b>

Reconciliation for the 6 months to 30 June 2012 – (unaudited)			
<b>As at 1 January 2012</b>	—	40,122	40,122
Recognised in the income statement	—	(7,355)	(7,355)
<b>As at 30 June 2012</b>	—	32,767	32,767

#### 15 Trade and other receivables

	At 31 March 2012 £	At 31 December 2012 £	(unaudited) At 30 June 2012 £	At 30 June 2013 £
Trade receivables	126,390	738,920	149,540	939,417
Less provision for impairment	—	(15,913)	—	—
Net trade receivables	126,390	723,007	149,540	939,417
Other receivables	245,762	1,752,696	450,719	1,208,709
	<u>372,152</u>	<u>2,475,703</u>	<u>600,259</u>	<u>2,148,126</u>

All trade receivable amounts are short term. All of the Rightster Limited Group's trade and other receivables have been reviewed for indicators of impairment and where necessary, a provision for impairment provided. The carrying value is considered a fair approximation of their fair value. The Rightster Limited Group's management considers that all the above financial assets that are not impaired or past due are of good credit quality.

In addition, some of the unimpaired trade receivables of the Rightster Limited Group are past due as at the reporting date. The age of financial assets past due, but not impaired, is as follows:

	At 31 March 2012 £	At 31 December 2012 £	(unaudited) At 30 June 2012 £	At 30 June 2013 £
Not more than three months	—	31,814	13,638	153,712
More than three months but not more than six months	5,720	511,594	2,154	58,833
More than six months but not more than one year	—	1,440	850	25,913
More than one year	—	130	—	1,630
	<u>5,720</u>	<u>544,978</u>	<u>16,642</u>	<u>240,088</u>

## 16 Trade and other payables

	At 31 March 2012 £	At 31 December 2012 £	(unaudited) At 30 June 2012 £	At 30 June 2013 £
Trade payables	387,442	1,756,193	457,858	2,347,383
Other payables	—	12,082	—	6,113
Other taxation and social security	93,955	484,504	83,287	1,018,690
Accruals & deferred income	196,664	1,830,610	367,761	1,819,477
	<u>678,061</u>	<u>4,083,389</u>	<u>908,906</u>	<u>5,191,663</u>

All amounts are short term and the directors consider that the carrying value of trade and other payables are considered to be a reasonable approximation of fair value.

The average credit period taken for trade purchases were as follows, March 2012 – 105 days, June 2012 – 72 days, December 2012 – 57 days and June 2013 – 48 days.

## 17 Borrowings and other financial liabilities

	At 31 March 2012 £	At 31 December 2012 £	(unaudited) At 30 June 2012 £	At 30 June 2013 £
Bank loans and overdrafts	—	—	—	339,483
Loans and other borrowings	1,839,800	7,500,000	3,714,842	14,075,812
Convertible loan notes	—	—	—	1,129,985
	<u>1,839,800</u>	<u>7,500,000</u>	<u>3,714,842</u>	<u>15,545,280</u>

Loans and other borrowings include a combination of interest bearing and non-interest bearing amounts. The interest bearing loans amount to £8,454,237 at 30 June 2013, £5,183,875 at 31 December 2012, £3,714,842 at 30 June 2012 and £1,839,800 at 31 March 2012 and bear interest at rates of between 10%-50% (March 2012: 10%-12%).

The non-interest bearing loans amount to £5,615,337 at 30 June 2013, £2,316,125 at 31 December 2012, £Nil at 30 June 2012 and £Nil at 31 March 2012.

Included within in loans at 30 June 2013 is £8,857,592, 31 December 2012 £5,500,000, 30 June 2012 £3,519,800 and 31 March 2012 £1,839,800 due to Vesuvius Limited, a shareholder of the Company. Vesuvius Limited has a fixed and floating charge over the assets of the company.

Loans include a balance of £Nil at 31 March 2012, £3,183,875 at 31 December 2012 and £5,404,237 at 30 June 2013 (30 June 2012 £Nil) which are repayable within one year. All remaining loans are repayable on demand.

Loans outstanding at the following dates provide investors with a first right of conversion to shares during an approved financing of the business; 31 March 2012 £1,839,800, 30 June 2012 £3,714,842, 31 December 2012 £7,500,000 and 30 June 2013 £14,069,613.

Preview Networks Aps has a bank facility with Jyske Bank up to 2.4 million DKK (£271,000) and the bank holds a charge over the assets of Preview Networks Aps.

## 18 Derivative financial instruments

	At 31 March 2012 £	At 31 December 2012 £	(unaudited) At 30 June 2012 £	At 30 June 2013 £
Embedded derivative within convertible loan notes	—	—	—	198,474
	—	—	—	198,474

## Financial liabilities

On 19 April 2013, the Rightster Limited Group issued a €1,443,000 unsecured convertible loan note. The loan notes convert into fully paid shares at a conversion price on a qualifying fundraising.

The Euro convertible loan note is treated as a financial liability, while the equity conversion feature being an embedded derivative which is not closely related to the “host” debt instrument. The combined instrument is, therefore, split between:

- The “host” debt instrument being a non-convertible debt, which is recognised at amortised cost using the effective interest rate.
- The embedded derivative reflecting the conversion feature, which is carried at fair value through profit or loss.

The embedded derivative is defined as the value of a derivative liability (written option) to issue own shares in exchange for the cancellation of the €1,443,000 debt. The valuation takes into account the time value of the option as restricted by the issuer’s ability to repay the loan note (at principal) at any time.

The valuation of the embedded derivative is performed at inception of the loan (April 2013) and at each reporting date thereafter.

## 19 Share capital

	At 31 March 2012 £	At 31 December 2012 £	(unaudited) At 30 June 2012 £	At 30 June 2013 £
Authorised, called up and fully paid 33,333,333 ordinary shares of 0.0001p each	3,333	3,333	3,333	3,333
100,000,000 Series A preferred shares of £0.0000001	10	10	10	10
96,749,998 Series B preferred shares of £0.0000001	—	10	—	10
	3,343	3,353	3,343	3,353

On incorporation on 16 May 2011 1 ordinary share of £1 was issued to the subscriber for cash consideration of £1.

On 24 May 2011 the share capital of Rightster Limited was subdivided into 100 ordinary shares of 1p each and a further 99,900 ordinary shares of 1p were issued for cash consideration of £999.

On 17 October 2011 the share capital of the Rightster Limited was subdivided into 10,000,000 ordinary shares of 0.01p per share and a further 3,333,333 ordinary shares of 0.01p were issued for cash consideration of £333.34. On the same date 20,000,000 ordinary shares of 0.01p were allotted at par value, £nil paid.

On 21 March 2012 Rightster Limited entered into a subscription agreement pursuant to which (i) 71,600,000 series A preferred shares of 0.00001p per share were issued for total consideration of £716,000 by conversion of existing loans into share capital. The issue of these shares created a share premium of £715,993; and (ii) a further 28,400,000 series A preferred shares of 0.00001p were issued for a total consideration of £284,000 paid in cash. The issue of these shares created a share premium of £283,997.

During the financial period to 31 December 2012 96,749,998 series B preferred shares of 0.00001 per share were allotted at a price of 7.5p per share. The issue of these shares created a share premium of £7,256,240.

#### *Rights attributable to issued shares*

The ordinary and series A and series B preferred shares rank equally in relation to voting and distribution rights.

The series A and series B preferred shares have a preference upon liquidation of the Rightster Limited entitling the holders to priority in relation to the return of capital. The A shares are entitled to an amount of £0.04 per share before the repayment of the capital due to ordinary shareholders and thereafter share equally in any remaining surplus. The B shares are entitled to £0.075 per share before the repayment of the capital due to ordinary shareholders and thereafter share equally in any remaining surplus.

#### Voting rights

The holders of ordinary shares, series A and series B preferred shares are entitled to receive notice of and attend and vote at any general meeting of the Rightster Limited.

## **20 Share options**

During the period to 30 June 2013 Rightster Limited operated an unapproved scheme share option scheme. The options were granted on 30 May 2013 and the Company use the Black-Scholes valuation model for estimating the grant date fair value of employee share options granted using the following assumptions for the period ended 30 June 2013.

	Options
Expected (range in periods)	4 years
Expected volatility (range)	25%
Weighted average volatility	25%
Risk-free interest rate	0.4%
Expected dividend yield	0%



Due to the options being granted 31 days before the end of the period no charge has been included in the accounts due to the charge not being significant.

	Number	Weighted average exercise price
Outstanding at the beginning of the period	—	—
Granted during the period	21,700,000	1p
Exercised during the period	—	—
Cancelled during the period	—	—
	<hr/>	<hr/>
Outstanding at the end of the period	21,700,000	1p
Exercisable at the end of the period	—	—

## 21 Undertakings included in the historical financial information

The historical financial information statements include:

	Class of share held	Country of incorporation	Proportion held	Nature of business
Rightster Inc	ordinary	USA	100%	Sale of application software
Rightster India LLP		India	100%	Software development
Rightster Gibraltar		Gibraltar	100%	Sale of application software
Preview Networks ApS	ordinary	Denmark	100%	Software development & distribution
Viral Management Limited	ordinary	UK	25%	On-line promotion

## 22 Investments in Associates

The Rightster Limited Group's 25% share of the aggregated financial information of equity accounted associates is set out below.

### Viral Management Limited

	11 Months to 31 March 2012	9 Months to 31 December 2012	(unaudited) 6 Months to 30 June 2012	6 Months to 30 June 2013
	£	£	£	£
Revenue	—	81,546	—	189,855
Share of result in associates	—	5,837	—	9,022
	<hr/>	<hr/>	<hr/>	<hr/>
Non-current assets	—	866	—	1,043
Current assets	—	137,403	—	147,651
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Share of total assets</b>	<b>—</b>	<b>138,269</b>	<b>—</b>	<b>148,694</b>
	<hr/>	<hr/>	<hr/>	<hr/>
Non-current liabilities	—	—	—	—
Current liabilities	—	(119,886)	—	(120,003)
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Share of total liabilities</b>	<b>—</b>	<b>(119,886)</b>	<b>—</b>	<b>(120,003)</b>
	<hr/>	<hr/>	<hr/>	<hr/>
Share of equity shareholders' funds in associates	—	18,383	—	28,691

## 23 Financial Instruments

### Categories of financial instruments

	As at 31 March 2012 £	As at 31 December 2012 £	(unaudited) As at 30 June 2012 £	As at 30 June 2013 £
<b>Financial assets</b>				
Loans and receivables	372,152	2,475,703	600,259	2,148,126
Cash and bank balances	155,084	1,212,585	379,433	417,724
<b>Financial liabilities at amortised cost</b>				
Trade and other payables	(678,061)	(4,083,389)	(908,906)	(5,191,663)
Borrowings	(1,839,800)	(7,500,000)	(3,714,842)	(15,545,280)
<b>Financial liabilities at fair value through profit or loss</b>				
Derivatives at fair value through profit or loss	—	—	—	(198,474)

### Financial risk management

The Rightster Limited Group's financial instruments (other than derivatives) comprise cash and liquid resources and various items, such as trade receivables and trade payables, that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the Rightster Limited Group's operations. The principal financial risks faced by the Rightster Limited Group are liquidity, foreign currency, credit and interest rate risks. The policies and strategies for managing these risks are summarised as follows:

#### Foreign currency risk

Transactional foreign currency exposures arise from both the export of services from the UK to overseas customers, and from the import of services directly sourced from overseas suppliers. The Rightster Limited Group is primarily exposed to foreign exchange in relation to movements in sterling against US\$ and Euro.

The Rightster Limited Group does not use derivatives to hedge translation exposures. All gains and losses are recognised in profit or loss on translation at the reporting date. The Rightster Limited Group's current exposures in respect of currency risk were as follows:

	Other	US Dollar	Euro £	Sterling £	Total £
Financial assets	—	—	—	527,236	527,236
Financial liabilities	—	—	—	(2,517,861)	(2,517,861)
<b>Total exposure at 31 March 2012</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(1,990,625)</b>	<b>(1,990,625)</b>
Financial assets	—	—	—	979,692	979,692
Financial liabilities	—	—	—	(4,623,748)	(4,623,748)
<b>Total exposure at 30 June 2012 (unaudited)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(3,644,056)</b>	<b>(3,644,056)</b>
Financial assets	8,358	37,688	712,425	2,929,817	3,688,288
Financial liabilities	—	—	—	(11,583,389)	(11,583,389)
<b>Total exposure 31 December 2012</b>	<b>8,358</b>	<b>37,688</b>	<b>712,425</b>	<b>(8,653,572)</b>	<b>(7,895,101)</b>
Financial assets	61,232	327,522	1,079,259	1,097,837	2,565,850
Financial liabilities	—	—	(2,101,839)	(18,977,313)	(21,079,152)
<b>Total exposure at 30 June 2013</b>	<b>61,232</b>	<b>327,522</b>	<b>(1,022,580)</b>	<b>(17,879,476)</b>	<b>(18,513,302)</b>

### Sensitivity analysis

The table below illustrates the estimated impact on profit or loss as a result of market movements in the US Dollar, Euro and Sterling exchange rate.

	10% Increase in favour of US Dollars £	10% Increase in favour of Euro £	10% Increase in favour of Sterling £
<b>Impact on profit or loss and equity</b>			
For the period to 31 March 2012	—	—	—
For the period to 30 June 2012 (unaudited)	6,414	—	(6,414)
For the period to 31 December 2012	28,471	259,160	(287,631)
For the period to 30 June 2013	11,866	279,490	(291,356)

### Credit risk

The Rightster Limited Group's principal financial assets are cash and cash equivalents and trade and other receivables. The Rightster Limited Group has no significant concentration of credit risk. The maximum exposure to credit risk is that shown within the balance sheet. All amounts are short term and management consider the amounts to be of good credit quality.

### Liquidity/funding risk

The Rightster Limited Group's funding strategy is to ensure a mix of funding sources offering flexibility and cost effectiveness to match the requirements of the Rightster Limited Group. Operating subsidiaries are financed by retained profits.

### Contractual maturities

The Rightster Limited Group manages liquidity risk by maintaining adequate reserves and agreed committed banking facilities.

### Interest rate risk

The Rightster Limited Group holds the majority of its cash and cash equivalents in corporate current accounts. These accounts offer a competitive interest rate with the advantage of quick access to the funds. All loans and borrowings bear a fixed rate of interest.

### Capital policy

The Rightster Limited Group's objectives when managing capital are to safeguard the Rightster Limited Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain a capital structure that optimises the cost of capital.

The Rightster Limited Group manages its capital to ensure that entities in the Rightster Limited Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Rightster Limited Group consists of debt, which includes the loan notes disclosed in note 17, cash and cash equivalents as disclosed in the statement of financial position and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in the consolidated statement of changes in equity.

The gearing ratios at the end of the reporting periods were as follows:

	As at 31 March 2012 £	As at 31 December 2012 £	(Unaudited) As at 30 June 2012 £	As at 30 June 2013 £
Debt	(1,839,800)	(7,500,000)	(3,714,842)	(15,545,280)
Cash & Bank balances	155,084	1,212,585	379,433	417,724
Net Debt	(1,684,716)	(6,287,415)	(3,335,409)	(15,127,556)
Total equity	(1,893,777)	(6,751,059)	(3,542,081)	(15,281,390)
Net debt to equity ratio	89%	93%	94%	99%

The net debt to equity ratio increased as at 31 December 2012 and 30 June 2013 as compared to March 2012 and June 2012, which reflects the continued investment scoping, designing and building the technology platform. After the IPO Rightster Group plc target a gearing ratio of between 20% and 30%.

Debt is defined as long- and short-term borrowings (excluding derivatives). Equity includes all capital and reserves of the Rightster Limited Group that are managed as capital.

#### Financial instruments measured at fair value

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

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

The only financial liability measured at fair value in the statement of financial position relates to the embedded derivative detailed in note 18. The hierarchy of this financial liability would be measured at level 3.

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

	Total £	Less than 1 Year £	1-3 Years £	3-5 Years £
<b>As at 31 March 2012</b>				
Borrowing principal payments	1,839,800	1,839,800	—	—
Derivative financial instruments	—	—	—	—
Non-interest bearing	—	—	—	—
<b>As at 31 December 2012</b>				
Borrowing principal payments	5,183,875	5,183,875	—	—
Derivative financial instruments	—	—	—	—
Non-interest bearing	2,316,125	2,316,125	—	—
<b>As at 30 June 2012 (unaudited)</b>				
Borrowing principal payments	6,463,651	6,463,651	—	—
Derivative financial instruments	—	—	—	—
Non-interest bearing	1,183,875	1,183,875	—	—
<b>As at 30 June 2013</b>				
Borrowing principal payments	11,124,816	11,124,816	—	—
Derivative financial instruments	198,474	198,474	—	—
Non-interest bearing	4,879,903	4,879,903	—	—

For details as to how management is planning to manage liquidity risk to ensure debts are paid as due please see note 3.19.

## 24 Financial commitments

The present value of future minimum rentals payable under non-cancellable operating leases are as follows:

	At 31 March 2012 £	At 31 December 2012 £	(unaudited) At 30 June 2012 £	At 30 June 2013 £
Less than one year	73,500	516,022	73,500	276,418
Between 2 and 5 years	30,625	—	12,250	—
Over 5 years	—	—	—	—
	<u>104,125</u>	<u>516,022</u>	<u>85,750</u>	<u>276,418</u>

### Minimum Guarantees

The Rightster Limited Group has entered into contracts committing to the following minimum guarantees

	At 31 March 2012 £	At 31 December 2012 £	(unaudited) At 30 June 2012 £	At 30 June 2013 £
Minimum guarantees	217,500	1,571,043	530,250	937,347
Less than one year	—	—	—	326,265
Between 2 and 5 years	—	—	—	—
	<u>217,500</u>	<u>1,571,043</u>	<u>530,250</u>	<u>1,263,612</u>

## 25 Transactions with directors and other related parties

### 25.1. Directors loans

Included within other receivables is an interest free loan owed to the Rightster Limited Group by C S Muirhead, a director of the company which is repayable on demand.

The amounts due at each reporting date are detailed below:

	At 31 March 2012 £	At 31 December 2012 £	(unaudited) At 30 June 2012 £	At 30 June 2013 £
Loan outstanding at period end	81,266	118,982	71,085	131,350
Repaid during the period	45,257	6,662	—	50,243
	<u>81,266</u>	<u>118,982</u>	<u>71,085</u>	<u>131,350</u>
	<u>45,257</u>	<u>6,662</u>	<u>—</u>	<u>50,243</u>

## 25.2. Viral Management Limited

During the periods, the Rightster Limited Group entered into transactions, in the ordinary course of business, with Viral Management Limited, an associate undertaking. The Rightster Limited Group made purchases from Viral Management Limited during the period and the balances due were as follows:

	31	31	(unaudited)	30
	March	December	June	June
	2012	2012	2012	2013
	£	£	£	£
Purchases made during the period	—	251,341	—	562,769
Balance due at period end	—	16,681	—	128,645
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

## 25.3. Tixdaq Limited

Tixdaq Ltd is a connected party through its relationship with the directors of the Rightster Limited Group. During the period to 31 December 2012 the Rightster Limited Group made purchases of £12,000 from Tixdaq Ltd. There were no balances outstanding with Tixdaq Ltd at any period end.

## 25.4. Vesuvius Limited

Loans include amounts payable to Vesuvius Limited a shareholder of the Company. The amounts outstanding and interest payable on the loans to Vesuvius Limited were as follows:

	At 31	At 31	(unaudited)	At 30
	March	December	June	June
	2012	2012	2012	2013
	£	£	£	£
Loan outstanding at period end	1,839,800	5,500,000	3,519,800	8,857,592
Interest charged during the period	80,790	140,251	160,541	416,386
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

## 26 First-time adoption reconciliations

### Reconciliation of equity

Equity at the date of transition and at 31 March 2012, 30 June 2012 (unaudited), 31 December 2012 and 30 June 2013 can be reconciled to the amounts reported under previous GAAP as follows:

	Note	31 March	Effect of transition	31 March	(unaudited)		
		2012 UK GAAP £		2012 IFRS £	Note	30 June 2012 UK GAAP £	Effect of transition £
<b>ASSETS</b>							
<b>Non-current</b>							
Goodwill							
Other intangible assets	(a)	—	41,667	41,667	(a)	—	—
Property, plant & equipment	(a)	77,945	(41,667)	36,278		69,238	—
Investments accounted for using the equity method		—	—	—		—	—
Deferred tax asset	(b)	—	18,903	18,903	(b)	—	32,767
<b>Non-current assets</b>		<b>77,945</b>	<b>18,903</b>	<b>96,848</b>		<b>69,238</b>	<b>32,767</b>
<b>Current</b>							
Trade and other receivables		372,152	—	372,152		600,259	—
Cash and cash equivalents		155,084	—	155,084		379,433	—
<b>Current assets</b>		<b>527,236</b>	<b>—</b>	<b>527,236</b>		<b>979,692</b>	<b>—</b>
<b>Liabilities</b>							
Trade and other payables	(c)	(648,485)	(29,576)	(678,061)	(c)	(870,389)	(38,517)
Current tax liabilities		—	—	—		—	—
Borrowings and other financial liabilities		(1,839,800)	—	(1,839,800)		(3,714,842)	—
<b>Current liabilities</b>		<b>(2,488,285)</b>	<b>(29,576)</b>	<b>(2,517,861)</b>		<b>(4,585,231)</b>	<b>(38,517)</b>
<b>Net current liabilities</b>		<b>(1,961,049)</b>	<b>(29,576)</b>	<b>(1,990,625)</b>		<b>(3,605,539)</b>	<b>(5,750)</b>
<b>Non-current Liabilities</b>							
Deferred tax		—	—	—		—	—
<b>Net liabilities</b>		<b>(1,883,104)</b>	<b>(10,673)</b>	<b>(1,893,777)</b>		<b>(3,536,301)</b>	<b>(5,750)</b>
<b>EQUITY</b>							
Share capital		3,343	—	3,343		3,343	—
Share premium		999,900	—	999,900		999,900	—
Retained earnings		(2,886,347)	(10,673)	(2,897,020)		(4,539,544)	(5,750)
<b>Total deficit</b>		<b>(1,883,104)</b>	<b>(10,673)</b>	<b>(1,893,777)</b>		<b>(3,536,301)</b>	<b>(5,750)</b>

	31 December 2012	Effect of transition	31 December 2012	30 June 2013	Effect of transition	30 June 2013		
	UK GAAP	£	IFRS	UK GAAP	£	IFRS		
	Note	£	£	Note	£	£		
<b>ASSETS</b>								
<b>Non-current</b>								
Goodwill	(d)	477,497	9,879	487,376	(d)	2,548,420	(682,777)	1,865,643
Other intangible assets	(d)(a)	—	—	—	(d)(a)	—	794,912	794,912
Property, plant and equipment		623,406	—	623,406		542,666	—	542,666
Investments accounted for using the equity method		18,383	—	18,383		28,691	—	28,691
Deferred tax asset	(b)	—	14,877	14,877	(b)	—	—	—
<b>Non-current assets</b>		<b>1,119,286</b>	<b>24,756</b>	<b>1,144,042</b>		<b>3,119,777</b>	<b>112,135</b>	<b>3,231,912</b>
<b>Current</b>								
Trade and other receivables		2,475,703	—	2,475,703	(b)	2,148,126	—	2,148,126
Cash and cash equivalents		1,212,585	—	1,212,585		417,724	—	417,724
<b>Current assets</b>		<b>3,688,288</b>	<b>—</b>	<b>3,688,288</b>		<b>2,565,850</b>	<b>—</b>	<b>2,565,850</b>
<b>Liabilities</b>								
Trade and other payables		(4,083,389)	—	(4,083,389)	(c)	(5,320,410)	128,737	(5,191,673)
Current tax liabilities		—	—	—		—	—	—
Borrowings and other financial liabilities		(7,500,000)	—	(7,500,000)	(e)	(15,633,064)	87,784	(15,545,280)
Derivative financial instrument		—	—	—	(e)	—	(198,474)	(198,474)
<b>Current liabilities</b>		<b>(11,583,389)</b>	<b>—</b>	<b>(11,583,389)</b>		<b>(20,953,474)</b>	<b>18,047</b>	<b>(20,935,427)</b>
<b>Net current liabilities</b>		<b>(7,895,101)</b>	<b>—</b>	<b>(7,815,101)</b>		<b>(18,387,624)</b>	<b>18,047</b>	<b>(18,369,577)</b>
<b>Non-current liabilities</b>								
Deferred tax	(b)	—	—	—		—	(143,725)	(143,725)
<b>Net liabilities</b>		<b>(6,775,815)</b>	<b>24,756</b>	<b>(6,751,059)</b>		<b>(15,267,847)</b>	<b>(13,543)</b>	<b>(15,281,390)</b>
<b>EQUITY</b>								
Share capital		3,353	—	3,353		3,353	—	3,353
Share premium		8,256,230	—	8,256,230		8,256,230	—	8,256,230
Translation reserve		—	—	—		—	(1,800)	(1,800)
Retained earnings		(15,035,398)	24,756	(15,010,642)		(23,527,430)	(11,743)	(23,539,173)
<b>Total deficit</b>		<b>(6,775,815)</b>	<b>24,756</b>	<b>(6,751,059)</b>		<b>(15,267,847)</b>	<b>(13,543)</b>	<b>(15,281,390)</b>



## 26.1. Reconciliation of total comprehensive income

Total comprehensive income for the reporting period ended 31 March 2012, 30 June 2012 (unaudited), 31 December 2012 and 30 June 2013 can be reconciled as follows:

	Note	(unaudited)					
		31 March 2012 UK GAAP £	Effect of transition £	31 March 2012 IFRS £	30 June 2012 UK GAAP £	Effect of transition £	30 June 2012 IFRS £
Revenue under management		325,403	—	325,403	325,944	—	325,944
Less commission share		(31,955)		(31,955)	(123,891)	(123,891)	
<b>Revenue</b>		<b>293,448</b>	<b>—</b>	<b>293,448</b>	<b>202,053</b>	<b>—</b>	<b>202,053</b>
Cost of sales		(222,412)	—	(222,412)	(119,240)	—	(119,240)
Gross profit		71,036	—	71,036	82,813	—	82,813
Research and development expenses		—	(1,194,745)	(1,194,745)	—	(819,978)	(819,978)
Administration costs	(c)	(2,876,413)	1,165,169	(1,711,244)	(2,591,255)	781,462	(1,809,793)
Share of result in associates		—	—	—	—	—	—
<b>Operating Loss</b>		<b>(2,805,377)</b>	<b>(29,576)</b>	<b>(2,834,953)</b>	<b>(2,508,442)</b>	<b>(38,516)</b>	<b>(2,546,958)</b>
Finance cost		(80,970)	—	(80,970)	(106,541)	—	(106,541)
<b>Profit before tax</b>		<b>(2,886,347)</b>	<b>(29,576)</b>	<b>(2,915,923)</b>	<b>(2,614,983)</b>	<b>(38,516)</b>	<b>(2,653,499)</b>
Income tax expense	(b)	—	18,903	18,903	—	(7,335)	(7,335)
<b>Profit for the year</b>		<b>(2,886,347)</b>	<b>(10,673)</b>	<b>(2,897,020)</b>	<b>(2,614,983)</b>	<b>(45,851)</b>	<b>(2,660,834)</b>
<b>Earnings per share</b>							
Basic and diluted		14.8p	—	14.8p	2.7p	—	2.7p

	Note						
		31 December 2012 UK GAAP £	Effect of transition £	31 December 2012 IFRS £	30 June 2013 UK GAAP £	Effect of transition £	30 June 2013 IFRS £
Revenue under management		2,774,843	—	2,774,843	4,847,655	—	4,847,655
Less commission share		(919,907)		(919,907)	(1,352,046)		(1,352,046)
<b>Revenue</b>		<b>1,854,936</b>	<b>—</b>	<b>1,854,936</b>	<b>3,495,609</b>	<b>—</b>	<b>3,495,609</b>
Cost of sales		(5,328,408)	—	(5,328,408)	(3,426,320)	—	(3,426,320)
Gross loss		(3,473,472)	—	(3,473,472)	69,289	—	69,289
Research and development expenses		—	(2,219,034)	(2,219,034)	—	(2,541,826)	(2,541,826)
Administration costs	(c)	(8,506,360)	2,258,489	(6,247,871)	(8,197,233)	2,578,504	(5,618,729)
Share of result in associates		5,837	—	5,837	9,022	—	9,022
<b>Operating Loss</b>		<b>(11,973,995)</b>	<b>39,455</b>	<b>(11,934,540)</b>	<b>(8,118,922)</b>	<b>36,678</b>	<b>(8,082,244)</b>
Finance income		225	—	225	128	—	128
Finance costs	(e)	(175,281)	—	(175,281)	(487,254)	(93,834)	(581,088)
Other income		—	—	—	114,016	—	114,016
<b>Loss before tax</b>		<b>(12,149,051)</b>	<b>39,455</b>	<b>(12,109,596)</b>	<b>(8,492,032)</b>	<b>(57,156)</b>	<b>(8,549,188)</b>
Income tax expense	(b)	—	(4,026)	(4,026)	—	20,657	20,657
<b>Loss for the year</b>		<b>(12,149,051)</b>	<b>35,429</b>	<b>(12,113,622)</b>	<b>8,492,032</b>	<b>(36,499)</b>	<b>(8,528,531)</b>
<b>Loss per share</b>							
Basic and diluted		6.1p	—	6.1p	3.7p	—	3.7p

## 26.2. Presentation differences

Certain presentation differences between UK GAAP and IFRS have no impact on reported profit or total equity.

Some assets and liabilities have been reclassified into another line item under IFRS at the date of transition. Some line items are described differently (renamed) under IFRS compared to UK GAAP, although the assets and liabilities included in these line items are unaffected. These line items are as follows:

- Property, plant and equipment ('tangible assets')
- Trade and other receivables ("debtors")
- Trade and other payables ("creditors")

## 26.3. Notes to the reconciliation

- a) IAS 38 require that certain intangible assets are shown separately on the statement of financial position. Intangible assets, other than those acquired through business combination, have been identified and consist of software. They have been disclosed as Intangible Assets and the carrying value of property, plant and equipment has been reduced by the same amount.
- b) Under FRS 19 deferred tax was recognised only on timing differences; in contrast IAS 12 "Income Taxes" requires the recognition of deferred tax on all temporary differences. The recognition of intangible assets on the acquisition resulted in differences. The effect of the adjustments is to create a deferred tax liability of £179,259 at the date of the combinations. Additionally, IAS 12 requires deferred tax assets to be shown as non-current assets, under UK GAAP these were disclosed as current assets.
- c) Under IAS 19 provision is required for the cost of accrued holiday pay at each reporting date, whereas under UK GAAP no provision was required. Therefore at each reporting date the appropriate provision for accrued holiday has been made.
- d) The Rightster Limited Group acquired Preview Networks ApS on 19 April 2013. Application of IFRS 3 to the business combinations resulted in identification of intangible assets (customer relationships and technology). Under IFRS these have been recognised separately in the statement of financial position at their fair value at the date of the combination. Under UK GAAP these intangible assets were subsumed within goodwill. The result of this adjustment is to decrease goodwill and increase intangible assets at the dates of the combinations. IFRS 3 requires the intangible assets to be amortised over their useful economic lives. The adjustments also impact on the deferred tax liability recognised, see note (f) below.
- e) On April 2013, the Rightster Limited Group issued a €1,443,000 unsecured convertible loan note. The loan note converts into fully paid shares at a conversion price on a qualifying fundraising. Under IFRS the Euro convertible loan note is treated as a financial liability, while the equity conversion feature as being an embedded derivative which is not closely related to the "host" debt instrument. The combined instrument is, therefore, split between:
  - a. The "host" debt instrument being a non-convertible debt, which is recognised at amortised cost using the effective interest rate.
  - b. The embedded derivative reflecting the conversion feature, which is carried at fair value through profit or loss.

## 26.4. Statement of cash flows

Under previous GAAP taxes paid were classified as operating cash flows. Under IFRS tax payments are allocated to investing and financing activities where they can be identified with transactions within those categories. There are no other material adjustments to the cash flow statement. The components of cash and cash equivalents under previous GAAP are similar to those presented under IFRS.

## **PART IV**

### **TAXATION**

#### **United Kingdom Taxation**

##### ***General***

The following paragraphs are intended as a general guide only and summarise advice received by the Directors about the UK tax position of Shareholders who are resident and domiciled in the UK, holding shares as investments. We have not considered the implications for Shareholders who acquire any shares or rights over shares in connection with any office or employment. The position of certain Shareholders who are subject to special rules, such as dealers in securities, brokerdealers, insurance companies and collective investment schemes is not considered in this section. The paragraphs below are based on current UK legislation and HMRC practice. It should be noted that although a number of UK tax treatments referred to below refer to unquoted shares, shares traded on AIM are generally treated as unquoted for these purposes.

Any person who is in any doubt about their tax position or who is subject to taxation in a jurisdiction other than the UK should consult their own professional adviser.

The information in these paragraphs is intended as a general summary of the UK tax position and should not be construed as constituting advice.

##### ***Taxation of dividends***

Under current UK legislation, no UK tax is required to be withheld from dividend payments by the Company.

A UK tax resident individual Shareholder will be entitled to a tax credit in respect of any dividend received from the Company and will be taxed on the aggregate of the dividend and the tax credit (the "gross dividend"). The value of the tax credit is one ninth of the dividend received (or ten per cent. of the gross dividend). Dividend income from the Company will be treated as forming the highest part of a Shareholder's income.

A UK tax resident Shareholder who receives a dividend paid by the Company will be liable to UK income tax on the gross dividend. The income tax rates in respect of dividends are 10 per cent., 32.5 per cent. or 37.5 per cent. depending on the taxable income of the individual but the individual will be able to set off the tax credit against this liability.

UK tax resident Shareholders who do not pay income tax or whose liability to income tax on the dividend and related tax credit is less than the tax credit, including pension funds, charities and certain individuals, are not generally entitled to claim repayment of any part of the tax credit associated with the dividend from HMRC.

A UK tax resident corporate holder of Ordinary Shares which receives a dividend paid by the Company will not generally be subject to tax in respect of that dividend, subject to certain exceptions.

Trustees of discretionary trusts receiving dividends from Ordinary Shares are also liable to account for income tax generally at the rate of 37.5 per cent.

Whether a Shareholder who is not resident in the UK for tax purposes is entitled to a tax credit in respect of dividends paid by the Company and to claim payment of any part of the tax credit, will depend, in general, on the provisions of any double taxation convention which exists between the Shareholder's country of residence and the UK. A non-UK tax resident Shareholder may also be subject to foreign taxation on dividend income.

Persons who are not resident in the UK should consult their own tax advisers on the possible application of such provisions or what relief or credit may be claimed and what tax may be payable in respect of a dividend received from the Company, in the jurisdiction in which they are resident.

##### ***Taxation of chargeable gains***

For the purpose of UK tax on chargeable gains, the acquisition of Ordinary Shares pursuant to the Placing will be regarded as an acquisition of a new holding in the share capital of the Company. The amount paid for the Ordinary Shares will usually constitute the base cost of a Shareholder's holding.

If a Shareholder disposes of all or some of his or her Ordinary Shares, a liability to tax on chargeable gains may, depending on his or her circumstances and subject to any available exemptions or reliefs, arise.

A UK tax resident or ordinarily resident individual Shareholder who disposes (or is deemed to dispose) of all or any of their Ordinary Shares may be liable to capital gains tax in relation thereto at rates up to 28 per cent., subject to any available exemptions or reliefs. In addition, an individual UK Shareholder who ceases to be resident in the UK for a period of less than five complete tax years and who disposes of the Ordinary Shares held prior to departure during that period of temporary non residence may, under anti-avoidance legislation, be liable to capital gains tax on his or her return to the UK.

A UK tax resident corporate Shareholder disposing of its Ordinary Shares may be liable to corporation tax on chargeable gains arising on the disposal at the corporation tax rate applicable to its taxable profits (the main rate currently being 23 per cent.).

In computing the chargeable gain liable to corporation tax, the corporate Shareholder is entitled to deduct from the disposal proceeds the cost to it of the Ordinary Shares as increased by an indexation allowance to adjust for inflation, together with incidental costs of acquisition and disposal costs.

The UK operates a substantial shareholding exemption regime which may apply to the disposal of Ordinary Shares by corporate Shareholders subject to certain conditions being met.

### ***Inheritance tax***

Ordinary Shares are assets situated in the UK for the purposes of UK inheritance tax.

Individuals and trustees subject to UK inheritance tax in relation to a holding of Ordinary Shares may be entitled to business property relief of up to 100 per cent. after a holding period of two years, provided that all the relevant conditions for the relief are satisfied at the appropriate time.

Individuals and trustees should consult their own taxation adviser if they are concerned with the potential UK inheritance tax implications of a holding of Ordinary Shares.

### ***Stamp Duty and Stamp Duty Reserve Tax***

No stamp duty or stamp duty reserve tax ("SDRT") will generally be payable on the issue of the New Ordinary Shares.

Paperless transfers of Ordinary Shares within CREST will generally be liable to SDRT (usually at a rate of 0.5 per cent. of the amount or value of the consideration).

The transfer of Ordinary Shares outside CREST will be liable to *ad valorem* stamp duty normally at the rate of 0.5 per cent. of the amount or value of the chargeable consideration (with such stamp duty being rounded up to the nearest £5).

The above comments are intended as a guide to the general stamp duty and SDRT position and may not relate to persons such as charities, market makers, brokers, dealers, intermediaries and persons connected with depositary arrangements or clearance services to whom special rules apply.

The UK government indicated in the 2013 budget its intention to abolish stamp taxes on shares quoted on growth markets, including AIM, and announced that its legislation would be included in the 2014 Finance Bill.

## PART V

### DIRECTORS, CORPORATE GOVERNANCE, EMPLOYEES AND SHARE OPTION PLAN

#### 1. The Board

The Board is headed by an interim Non-Executive Chairman, with management led by a Chief Executive Officer. At Admission, the Board will comprise four Non-Executive Directors (including the Chairman) and two Executive Directors. Two of the Non-Executive Directors are considered independent and two are non-independent. Details of the Directors, including their dates of appointment, their memberships of board committees and the year in which each is next due for re-election are as follows:

Director	Function	Date of appointment	Year of next re-election
Mark Lieberman	Interim Independent Non-Executive Chairman <sup>(1)(2)</sup>	12 November 2013 <sup>(4)</sup>	2014
Charles Muirhead	Chief Executive Officer	30 October 2013	2014
Charl De Beer	Chief Financial Officer	30 October 2013	2014
Jack Barnett	Non-independent Non-Executive Director <sup>(1)(2)</sup>	30 October 2013	2014
Michael Broughton	Non-independent Non-Executive Director <sup>(1)</sup>	12 November 2013 <sup>(4)</sup>	2014
David Mathewson	Independent Non-Executive Director <sup>(1)(2)(3)</sup>	12 November 2013 <sup>(4)</sup>	2014

(1) Member of Audit Committee

(2) Member of Remuneration Committee

(3) Member of AIM Compliance Committee

(4) Effective from Admission

The usual business address of each of the Directors is the registered office of the Company, which is 5th Floor, 33 Cavendish Square, London W1G 0PW.

#### 2. The Directors

##### 2.1 Details of the Directors and Executive Management Team

Short biographies of the Directors and details of their roles, including the principal activities performed by the Directors outside the Group are set out below.

##### *Mark Lieberman – Interim Non-Executive Chairman (age 54)*

Mark Lieberman has been an entrepreneur in the media and technology industry throughout his career. He is the co-founder and chairman at TiVo Research & Analytics Inc. (TRA, Inc.), a media analytics, software and research technology firm. Previously, Mark was managing director of Hudson Abel Partners LLC, a boutique media and technology investment bank (from 2004 to 2006), and was chairman/chief executive officer of Interactive Video Technologies Inc., an online video software company (from 2000 to 2004). From 1999 to 2000, Mark was president of About.com Ventures and from 1997 to 1999 he was executive vice president of Reed Elsevier Business Information. In the mid-1990's, Mark founded Sarnoff Real Time Corp., a video server company that became DIVA Systems Corp. (the first commercially viable video-on-demand provider) and was the managing director of TM Patents which focused on commercialising a portfolio of worldwide patents and applications. Mark also served as associate deputy secretary and assistant secretary for technology (acting) at the U.S. Department of Commerce from 1989 to 1991 and is a qualified lawyer who specialised in intellectual property. Mark is also on the advisory board of Adfin and on the boards of Center for Leadership and Learning and Tufts University Entrepreneurial Leadership Program.

##### *Charles Muirhead – Chief Executive Officer (age 38)*

At 19, Charles organised the buyout of the Music Bank from Hilton Sounds Plc. He then started Orchestream Holdings plc, which centralised automated management of intellectual property networks. By 24, Charles had raised over £30 million in venture capital funding and floated Orchestream Holdings plc on the London Stock Exchange and NASDAQ, with a market

capitalisation peaking at over £1 billion. Charles's previous ventures include: iGabriel NV (now merged with Pi-Capital Limited), Nexagent Limited which pioneered solution delivery and process automation software for outsourced IT services and a small online video production company which produced and distributed online TV shows. Charles founded Rightster in May 2011.

*Charl de Beer – Chief Financial Officer (age 41)*

Charl joined Rightster from a leading premium content rights aggregator, On Demand Group Limited (ODG), where he spent 10 years, the last 6 of which as chief financial officer. Charl's time at ODG was spent managing the group's licensing and commercial exposure as well as its expansion into over 18 international markets. Prior to ODG, Charl was finance director of Delapse (Pty) Ltd, a South African based multi-media production company focusing on cross-platform media solutions, for two and a half years. Charl is a qualified Chartered Accountant and completed his training at KPMG, Johannesburg.

*Jack Barnett – Non-Executive Director (age 49)*

Jack Barnett is a senior executive with over 20 years of experience with high-growth companies in the technology sector. Beginning with QRS, one of the early successful software-as-a-service companies in the San Francisco Bay Area, Jack has spent much of his career developing and delivering innovative analytical solutions to data-driven companies such as BT, Bet365, BwinParty, TRA (TiVo), Sainsbury's, Safeway, The GAP and AIMIA. With an emphasis on business intelligence, corporate reporting, customer insight & loyalty programs, Jack has a deep understanding of the significant opportunities and complex challenges of big data. Jack began his career in operational management at Costco and holds a BA in Political Science from the University of California, Berkeley. Jack resides in the UK and holds dual US/UK citizenship, and also serves as a non-executive director of Wave Crest Group, a global e-payments company.

*Michael Broughton – Non-Executive Director (age 35)*

Michael is currently a managing partner at Sports Investment Partners LLP, a European investment firm focused on driving investment and growth in the sport industry. In conjunction with this role, Michael is also a non-executive director of Supponor Holdings Limited. For three years he worked at Nolan Partners Ltd, the leading sports executive search business, placing senior executives in some of the UK's leading sports organisations including Manchester United, Chelsea, Arsenal, Liverpool, The FA, and Honda Racing F1. Prior to joining Nolan Partners Ltd in 2008, Michael spent seven years working in motorsport. Michael was responsible for Lucky Strike's F1 sponsorship across the Latin American region and in 2007 set up the Global Social Responsibility programme for Johnnie Walker's involvement with the Vodafone McLaren Mercedes team.

*David Mathewson – Non-Executive Director (age 66)*

David Mathewson is a qualified Chartered Accountant and an experienced non-executive director with significant experience in the financial sector and in the gaming and software industries. He served on the board of Rodime plc (renamed Sportech plc following the acquisition of Littlewoods Football Pools) for thirteen years and was chairman until 2006. He was previously a director of corporate finance at Noble Grossart Limited and a non-executive director at Noble & Co Limited. Until May 2010, David was senior independent director at Edinburgh UK Tracker Trust plc where he served on the board for twelve years and was chairman of Asian Growth Properties Limited. In 2010 he was appointed as a non-executive director of Playtech Limited where he chaired the audit committee and in 2011 became chief financial officer, retiring in December 2012. He is currently a non-executive director of 24/7 Gaming Group plc and non-executive chairman of Macromac plc, both listed on AIM.

**Senior Management Team**

*Andrew Mitchell – Chief Operating Officer*

Andrew has a hybrid of media and technology experience, with a particular focus on growth in online businesses. Andrew began his career as a commercial systems analyst at Xerox, before moving to the US for six years, where he worked in advertising. Andrew returned to London to work with Ogilvy media as development director of digital communications, then left to set up the UK and European headquarters of Doubleclick Europe Limited as managing director. He went on to Altavista UK where he was to establish the UK operations, again as managing director. Following this, he was chief executive officer at BrightStation plc/Webtop which was sold to Smartlogic Semaphore Limited. More recently he was listed as an inventor on a patent by

Panasonic Corporation of North America, where he introduced online ad serving software into airlines in the Asian and North American markets. Prior to Rightster, Andrew was managing director of ANYMedia network, part of A&NMedia, where he developed and deployed a commercial strategy across the DMGT group.

*Simon Walker – Chief Commercial Officer*

Simon is an accomplished media innovator with twenty years' experience in the digital and creative industries. As leader of the global strategy and business development functions at the BBC, EMI Music Publishing Limited and EMAP plc, Simon has been at the heart of the media's transformation to digital, from working on the BBC's first ever video-on-demand strategy in 1998, to helping develop YouView, the latest incarnation of that thinking in 2012. Since 2008 Simon has been advising and investing in high potential digital media businesses. In 2013 Simon took on executive responsibilities for all of Rightster's global content and commercial partnerships.

*Gerard Cranley – General Counsel and Company Secretary*

Gerard Cranley has over 20 years' experience practicing as a solicitor in the City of London. He has been a partner of Howard Kennedy (now Howard Kennedy Fsi) and Penningtons (now Penningtons Manches), "Counsel" for White & Case and senior associate at Weil. Before leaving private practice, Gerard's focus was on mid-market mergers and acquisitions and early stage investment, with a particular interest in corporate governance.

## 2.2 Current and previous appointments

The following table sets out the names of all companies and partnerships outside the Group of which any Director is or has been a member of the administrative, management or supervisory body or a partner at any time in the previous five years (excluding subsidiaries of any company of which any Director is or was also a member of the administrative, management or supervisory body).

<b>Name</b>	<b>Position</b>	<b>Company/ Partnership</b>	<b>Position still held (Yes/No)</b>
Mark Lieberman	Director	MuMM, Inc.	Yes
	Director	TRA, Inc.	Yes
Charles Muirhead	Director	Networx Plc <sup>(1)</sup>	No
	Director	Nexagent Limited <sup>(2)</sup>	Yes
	Director	The 5th Medium Limited <sup>(3)</sup>	Yes
	Director	Viral Management Limited	Yes
Charl De Beer	Director	Vubiquity Group Limited (formerly On Demand Group Limited)	No
	Director	64 Sutton Court Road Limited	Yes
Jack Barnett	Director	Hadacta Limited	Yes
	Director	Wave Crest Group Limited	Yes
	Partner	Vocal Plant Ltd (VPT)	Yes
Michael Broughton	Director	MCB Ventures Limited	Yes
	Director	SIP Acquisitions 1 Limited	Yes
	Director	SIP Acquisitions 2 Limited	Yes
	Director	Sports Investment Partners (Advisory) Limited	Yes
	Director	Supponor Holdings Limited	Yes
	Managing Partner	Sports Investment Partners LLP	Yes
	Designated Member	Sports Investment Partners (Two) LLP	Yes
David Mathewson <sup>(4)</sup>	Director	24/7 Gaming Group Holdings plc	Yes
	Director	China Kiosk Network Limited	Yes
	Director	Macromac plc	Yes
	Director	Aberdeen UK Tracker Trust Plc (formerly Edinburgh UK Tracker Trust plc)	No
	Director	AMZ Holdings Plc	No
	Director	Asian Growth Properties Limited	No
	Director	Genuity Services Limited	No
	Director	GFED Games Limited	No
	Director	GFED International Limited	No
	Director	lfafa Tech Inc.	No

Name	Position	Company/ Partnership	Position still held (Yes/No)
	Director	Playtech Limited	No
	Director	Playtech Mobile (Cyprus) Limited	No
	Director	Playtech Services (Cyprus) Limited	No
	Director	Playtech Software Limited	No
	Director	Robertson Group Limited	No
	Director	Robertson Homes Limited	No
	Director	Silverstate Capital Advisers	No
	Director	Technology Trading IOM Limited	No
	Director	Video B Holdings Ltd	No

- (1) On 5 July 2009 liquidators were appointed by the members of Networx Plc to conduct a members' voluntary liquidation. According to the Liquidator's statement of account dated 1 June 2011, Networx Plc then had a nil balance. Networx Plc was dissolved on 13 September 2011.
- (2) On 27 August 2008 liquidators were appointed by the creditors of Nexagent Limited to conduct a creditors' voluntary liquidation. According to the Liquidator's statement of account dated 27 July 2013, Nexagent Limited then had a nil balance. The liquidation of Nexagent Limited is not yet complete.
- (3) On 24 May 2011 liquidators were appointed by the creditors of The 5th Medium Limited to conduct a creditors' voluntary liquidation. The liquidation of The 5th Medium Limited is not yet complete.
- (4) David Mathewson was appointed a Director of Corsie Group plc on 1 March 2006 a position from which he resigned on 29 April 2008. Corsie Group plc entered administration on 9 May 2008. On 9 November 2009 the company exited administration and was dissolved on 22 October 2010.

### 2.3 Interests of the Directors in the share capital of the Company

As at 8 November 2013 (being the latest practicable date prior to the publication of this document), the interests in the issued ordinary share capital of the Company of each of the Directors and Senior Managers and their families within the meaning of the AIM Rules, such interests being those which could with reasonable diligence be ascertained by each Director, whether or not held through another party, and being in addition to the interests held under option as described in paragraph 3 below, and the interests they are expected to have immediately following Admission, are or will be as follows:

Name of Director/Senior Manager	Present(*)		Immediately following Admission		Number of Ordinary Shares under option
	Number of ordinary shares of £0.0001 each held	Percentage of issued Share Capital	Number of Ordinary Shares held	Percentage of issued Share Capital	
Mark Lieberman	—	—	—	—	320,000
Charles Muirhead	500,000,000	100	7,110,667	6.1	4,000,000
Charl De Beer	—	—	—	—	760,000
Jack Barnett	—	—	—	—	—
Michael Broughton	—	—	—	—	—
David Mathewson	—	—	40,000	0.03	300,000
Andrew Mitchell	—	—	—	—	600,000
Simon Walker	—	—	—	—	600,000
Gerard Cranley	—	—	—	—	100,000

(\*) Prior to the Share Exchange and the Reorganisation becoming effective.

### 2.4 Executive Directors' service contracts and emoluments

The details of the service contracts of the Executive Directors with the Company are as follows:

#### Charles Muirhead

Charles Muirhead entered into a service agreement with the Company on 11 November 2013. The terms of the agreement provide for, amongst other things, (i) salary of £180,000 per annum, payable in monthly instalments in arrears (such salary to be reviewed annually); (ii) termination upon 12 months' written notice by the Company; and (iii) surrender by Charles Muirhead of certain rights to intellectual property created or developed by Charles Muirhead whilst an employee of the Company. Charles Muirhead is also entitled to (a) a bonus on a sliding scale of up to a maximum of 50 per cent. of his base salary, upon achieving certain targets in respect of, *inter alia*, net



revenue, operating profit and total operating costs; and (b) a bonus up to a maximum of 50 per cent. of his base salary if and to the extent that the remuneration committee (in its absolute discretion) agrees that the Shareholders' position has been materially improved by actions conducted. Charles Muirhead is also subject to certain restrictive covenants, which, among other things prevent him from using or disclosing confidential information otherwise than in the proper course of employment, soliciting or inducing any customers or suppliers of the Company, persuading or attempting to persuade any employee to terminate their employment with any member of the Group or being engaged, concerned or interested in any business which is in competition with the Group.

### Charl De Beer

Charl De Beer entered into a service agreement with the Company on 11 November 2013. The terms of the agreement provide for, amongst other things, (i) salary of £150,000 per annum, payable in monthly instalments in arrears (such salary to be reviewed annually); (ii) termination upon 6 months' written notice by the Company; and (iii) surrender by Charl De Beer of certain rights to intellectual property created or developed by Charl De Beer whilst an employee of the Company. Charl De Beer is also entitled to a bonus on a sliding scale of up to a maximum of 60 per cent. of his base salary, upon achieving certain targets in respect of, *inter alia*, net revenue, operating profit and total operating costs. In addition, Charl De Beer will be paid a bonus of £24,000 in relation to, and conditional upon, Admission. Charl De Beer is also subject to certain restrictive covenants, which, among other things prevent him from using or disclosing confidential information otherwise than in the proper course of employment, soliciting or inducing any customers or suppliers of the Company, persuading or attempting to persuade any employee to terminate their employment with any member of the Group or being engaged, concerned or interested in any business which is in competition with the Group.

## 2.5 Non-Executive Directors' letters of appointment and emoluments

The details of the Non-Executive Directors' letters of appointment with the Company are as follows:

Name of Non-Executive Director	Contract date	Annual Fee <sup>(2)</sup>	Notice period
Jack Barnett	11 November 2013	£35,000	one month
Michael Broughton	11 November 2013 <sup>(1)</sup>	— <sup>(4)</sup>	one month
Mark Lieberman	11 November 2013 <sup>(1)</sup>	£75,000 <sup>(3)</sup>	one month
David Mathewson	11 November 2013 <sup>(1)</sup>	£35,000	one month

(1) Effective from Admission

(2) Mark Lieberman and David Mathewson each receive an additional fee of £5,000 for acting as chair of the Remuneration Committee and the Audit Committee respectively.

(3) Mark Lieberman's fee will reduce to £35,000 per annum following the appointment of a permanent Chairman of the Company.

(4) Fees payable to Michael Broughton are paid pursuant to the SIP Consultancy Agreement, details of which are set out in paragraph 7.1(H) of Part VI of this document.

### Non-Executive Director Appointment Letter

Each Non-Executive Director has entered into a letter of appointment with the Company on substantially the same terms. Non-Executive Directors are paid fees and the Company shall reimburse their reasonable, authorised and properly documented expenses that are incurred in the performance of their duties. The initial term of appointment is four years, unless terminated earlier by either the Company or the Non-Executive Director giving the other one month's prior written notice. The Non-Executive Director may be removed as a Director at any time in accordance with the New Articles or the Companies Act (for example, by a valid resolution of the Shareholders). The Company may terminate the appointment immediately in certain circumstances, such as if a material breach of obligations is committed by the Non-Executive Director. Mark Lieberman will, following Admission, be paid a consultancy fee of £11,000 in respect of services provided to the Group during the period 1 April 2013 to Admission. Mark Lieberman and David Mathewson have each been granted share options in the Company, conditional on Admission, as set out below.

### 3. Share options granted to the Directors

As at 8 November 2013 (the latest practicable date prior to the date of this document) the following Directors have been granted options under the Share Option Plan (conditional on Admission):

Name of Director	Date of Grant	Number of Ordinary Shares under option	Exercise Price per Ordinary Share	Exercise Period	
				From	To
Mark Lieberman	8 November 2013	320,000	7.5 pence	8 November 2014	7 November 2023
David Mathewson	8 November 2013	300,000	60 pence	8 November 2014	7 November 2023

As at 8 November 2013 (the last practicable date prior to the publication of this document), Charles Muirhead has been granted options under the Executive Share Option Agreement (as defined in paragraph 6 of this Part V) (conditional upon Admission), as follows:

Date of Grant	Number of Ordinary Shares under option	Exercise price per Ordinary Share	Exercise Period	
			From	To
8 November 2013	1,000,000	90 pence	8 November 2014	7 November 2023
8 November 2013	1,000,000	120 pence	8 November 2015	7 November 2023
8 November 2013	1,000,000	150 pence	8 November 2016	7 November 2023
8 November 2013	1,000,000	180 pence	8 November 2017	7 November 2023

As at 8 November 2013 (the latest practicable date prior to the publication of this document) Charl De Beer has been granted options under the Rightster Share Option Plan which will be cancelled in consideration for the grant of replacement options under the Share Option Plan (on the basis of one replacement option for every five existing options held (rounded down in the event of a fraction)). Charl De Beer's replacement options are as follows:

Date of Grant	Number of Ordinary Shares under replacement option	Exercise Price per Ordinary Share	Exercise Period	
			From	To
19 September 2013	400,000	5 pence	19 September 2014	18 September 2023
4 October 2013	360,000	7.5 pence	4 October 2014	3 October 2023

### 4. Confirmations and other information

- 4.1** There is no family relationship between any of the Directors.
- 4.2** Apart from the current directorships set out above and the other business interests disclosed above none of the Directors has any business interests or performs any activities outside the Group which are significant in respect to the Group.
- 4.3** Save as referred to in paragraph 4.7 of this Part V, there are no potential conflicts of interest affecting any of the Directors between their duties to the Company or to the Group, and their private interests.
- 4.4** Save as set out in paragraph 2.2 of this Part V, none of the Directors:
- (A) is or has been a member of the administrative management or supervisory body of any company or a partner in any partnership outside the Group at any time in the previous five years; or
  - (B) has any unspent convictions relating to indictable offences;
  - (C) has been declared bankrupt or made the subject of an individual voluntary arrangement;
  - (D) has been a director or senior manager of any company at the time of or within the twelve months preceding any receivership, compulsory liquidation, creditors' voluntary liquidation, administration, company voluntary arrangement or any composition or arrangement with creditors generally or any class of creditors of such company;
  - (E) has been a partner in any partnership at the time of or within twelve months preceding any compulsory liquidation, administration or partnership voluntary arrangement of such partnership;
  - (F) has had any of his or relevant companies' or partnership's assets subject to any receivership; or

- (G) has been the subject of any public criticism or had sanctions imposed upon him by any statutory or regulatory authorities or been disqualified by a court from acting as a director or acting in the management or conduct of the affairs of a company.
- 4.5** No Director has, or has had, any interest in any transactions which are or were unusual in their nature and conditions or significant to the business of the Group and which were effected by the Company during the period from incorporation to the date of this document which remain outstanding or unperformed.
- 4.6** There are no outstanding loans or guarantees provided by the Company or the Group to or for the benefit of any of the Directors.
- 4.7** Save for the Relationship Agreement with Vesuvius as set out in paragraph 7.1(H) of Part VI of this document and each of the Business Development Agreement, the Consultancy Agreement and the Warrant Instrument with SIP as set out in paragraph 7.1(E), (F) and (G) of Part VI, of this document there are no arrangements with major shareholders, customers, suppliers or others pursuant to which any of the Directors was selected as a Director.
- 4.8** There are no arrangements under which any Director has waived or agreed to waive future emoluments.
- 4.9** No Director is entitled to receive any benefits upon termination of his service contract or letter of appointment, other than salary and benefits accrued on the date of such termination (including any accrued during any notice period, if applicable).
- 4.10** Save as disclosed above, none of the Directors nor any member of their immediate families or any person connected with any of them holds or is beneficially or non-beneficially interested, directly or indirectly, in any shares or options to subscribe for, or securities convertible into, shares of the Company or any of its subsidiary undertakings or any financial product referenced to the Ordinary Shares.

## **5. Corporate Governance**

### **5.1 UK Corporate Governance Code/QCA Code**

The Company intends following Admission, so far as is practicable and appropriate for a company of its size and nature, to comply with the provisions of the UK Corporate Governance Code or in some cases and as a minimum, with the QCA Code. The Company has appointed two, independent, Non-Executive Directors to bring an independent view to the Board and to provide a balance to the Executive Directors and non-independent Non-Executive Directors.

### **5.2 The Board**

At Admission the Board will comprise six Directors. Mark Lieberman and David Mathewson are considered by the Board to be independent. The Board intends to appoint a permanent Non-Executive Chairman to the Board within six months of Admission, at which point Mark Lieberman will remain as an independent Non-Executive Director.

### **5.3 Board Committees**

In accordance with best practice, the Company has established Audit and Remuneration Committees more particularly described in paragraph 16 of Part I of this document. The Company has also established an AIM Compliance and Corporate Governance Committee. Each Committee has written terms of reference which deal with their authorities and duties. The full terms of reference of each of these committees have been published on the Company's website.

#### **5.3.1 Audit Committee**

The Audit Committee is chaired by David Mathewson and its other members are Mark Lieberman, Michael Broughton and Jack Barnett.

#### **5.3.2 Remuneration Committee**

The Remuneration Committee is chaired by Mark Lieberman and its other members are David Mathewson and Jack Barnett.

### 5.3.3 The AIM Compliance and Corporate Governance Committee

The AIM Compliance and Corporate Governance Committee is chaired by David Mathewson and its other member is the Company Secretary.

## 6. Share Schemes for Directors and employees

The Company operates the Share Option Plan which allows the grant of tax efficient Enterprise Management Incentive (“EMI”) share options and unapproved share options. The Share Option Plan is in substantially the same form as the Rightster Share Option Plan, save for variations appropriate for a publicly traded company.

The Company has also entered into an unapproved share option agreement with Charles Muirhead (the “Executive Share Option Agreement”) which provides for the grant of up to 4,000,000 unapproved options, exercisable upon the share price achieving certain thresholds (details of which are set out in paragraph 3 of this Part V) and which is otherwise on the same terms as the unapproved part of the Share Option Plan.

As at the date of this document, 72,972,960 share options have been granted under the Rightster Share Option Plan as set out below:

<b>EMI share options</b>	<b>Unapproved share options</b>
47,069,976	25,902,984

Conditional on completion of the Share Exchange, holders of share options over ordinary shares of £0.0001 each in the capital of Rightster granted under the Rightster Share Option Plan have agreed or will agree to cancel their existing share options in consideration for the grant of replacement options under the Share Option Plan (on the basis of one replacement option for every five existing options held (rounded down in the event of a fraction)). Options over ordinary shares of £0.0001 each in the capital of Rightster have been granted under the Rightster Share Option Plan with an exercise price of £0.01 per share option and £0.015 per share option. The replacement options over Ordinary Shares under the Share Option Plan will have an exercise price of £0.05 per share option and £0.075 per share option (respectively).

On completion of the Share Exchange and release of all options under the Rightster Share Option Plan, 14,594,591 share options over Ordinary Shares will be granted under the Share Option Plan as set out below:

<b>EMI share options</b>	<b>Unapproved share options</b>
9,413,995	5,180,596

The Company may grant share options under the Share Option Plan notwithstanding the occurrence of Admission. No further share options will be granted under the Rightster Share Option Plan.

Under the Share Option Plan, selected Directors, employees and consultants of the Group have been granted share options in the Company (as set out in paragraph 3 of this Part V in respect of the Directors) and / or will be invited to participate in the Share Option Plan at the discretion of the Remuneration Committee.

The Company does not intend to make specific grants of options over Ordinary Shares on or immediately after Admission, however, the Company will continue to award options to employees in connection with remuneration and incentivisation arrangements as required.

A limit will be applied to the overall number of Ordinary Shares which may be issued pursuant to the Share Option Plan. In any ten year period, not more than 15 per cent. of the issued share capital of the Company from time to time may be placed under option under the Share Option Plan and any other employee share option plan adopted by the Company (excluding the Executive Share Option Agreement). In determining the above limit, no account shall be taken of Ordinary Shares where the right to acquire such Ordinary Shares was released or lapsed without being exercised.

The EMI part of the Share Option Plan has the following specific features:

### **(a) Eligibility**

Individuals must meet applicable HMRC qualifying conditions.

**(b) Limits**

The grant of EMI share options under the Share Option Plan is subject to the following limits on the overall number of new Ordinary Shares which may be issued:

- (i) the aggregate market value of Ordinary Shares subject to all unexercised EMI share options (and any other qualifying options under the Share Option Plan) held by an eligible employee must not exceed £249,999; and
- (ii) the aggregate market value of Ordinary Shares subject to all unexercised EMI share options (and any other qualifying options under the Share Option Plan) must not exceed £3 million.

These limits do not apply to the grant of unapproved options pursuant to the Share Option Plan.

The Share Option Plan has the following main features:

**(c) Eligibility**

Unapproved share options can be granted under the Share Option Plan to Directors, employees and consultants of the Group.

**(d) Exercise of share options**

Under the Share Option Plan, share options may not be exercised before Admission. Vested share options are exercisable at any time after Admission, subject to the satisfaction of any applicable performance conditions.

The right to exercise share options under the Share Option Plan may be conditional on performance and/or time related conditions as imposed by the Company at the date of grant of the share option and set out in the individual option agreements entered into by each employee/grantee. The performance criteria are set by the Remuneration Committee and may be different for each employee / grantee, but the vesting criteria will usually be the same for all:

- (i) the share options will vest in relation to one quarter of the shares subject to option on the first anniversary of the start of employment or appointment; and
- (ii) the remaining share options will continue to vest in relation to the outstanding shares over the next three years at a rate of 1/48 of the total shares per month.

Subject to the satisfaction of any performance conditions, a share option will normally be exercisable in full at any time between the fourth anniversary (or such later date specified in the option agreement) and the day before the tenth anniversary of the date on which the employment or appointment commenced and if not exercised by the tenth anniversary of the date of grant, will lapse.

If an option holder ceases to be employed or engaged within the Group in circumstances where he is not a "Bad Leaver" (including by reason of disability, death, injury, retirement, redundancy or ill-health), the relevant holder may exercise vested share options in the 90 day period following such cessation (or such longer period determined by the Remuneration Committee) or, in the case of death, 12 months thereafter. If an option holder ceases to be employed or engaged within the Group as a result of summary dismissal or termination as a result of gross misconduct or is otherwise considered a "Bad Leaver", any share options granted to such person shall lapse.

The Remuneration Committee may permit an option holder who has ceased to be employed or engaged by the Group to exercise some or all of such option holder's share options (whether or not those have become exercisable prior to death or cessation of employment or the provision of service).

The Remuneration Committee may at any time provide that any share option shall become immediately exercisable, in full or in part, free of some or all restrictions or conditions.

The "Exercise Price" in respect of share options granted under the Share Option Plan is the price determined by the Remuneration Committee at which each share subject to a share option may be acquired and either (i) specified at the date of grant; or (ii) to be determined at a later date by reference to a formula specified at the date of grant.

**(e) Exchange of Options**

If any company (the "acquiring company") obtains control of the Company as a result of making a general offer to acquire the whole of the issued share capital of the Company, or obtains control of the Company pursuant to a compromise arrangement sanctioned by the court under Section 900 of

the Companies Act 2006, or obtains control of the Company pursuant to an internal reorganisation, any option holder may, by agreement with the acquiring company, release his option in consideration of the grant to him of rights which are equivalent to his option but relate to shares in a different company.

**(f) Change of control, sale and internal reorganisation**

Share options issued under the Share Option Plan may be exercised (to the extent vested):

- (i) within the period of 40 days following a sale of all of the assets of the Company (or such longer period as the Board may determine);
- (ii) for 40 days from an offeror acquiring control of the Company following a general offer made to acquire the whole of the issued ordinary share capital of the Company;
- (iii) if a person has become bound or entitled to acquire any shares in the Company under Chapter 3, Part 28 of the Companies Act 2006, for so long as such person remains so bound or entitled;
- (iv) for 40 days from a court sanctioned compromise or arrangement under section 900 of the Companies Act 2006 becoming effective; or
- (v) during the notice period for a general meeting of the Company at which a resolution is proposed to be passed by the Company for its voluntary winding up.

If vested share options are not exercised during the periods noted in paragraphs (i) to (v) above of this paragraph (e) they will lapse following the expiry of such periods, and all unvested options will also lapse following the expiry of such periods.

**(g) Adjustment of share options**

In the event of a variation in the share capital of the Company by way of capitalisation, rights issue, consolidation, sub-division, reduction or otherwise, share options may be adjusted in such manner as the Remuneration Committee shall determine.

**(h) Amendments to the Share Option Plan**

The Remuneration Committee may alter or add to any of the rules of the Share Option Plan provided that no such alteration or addition shall adversely affect the rights of existing option holders unless they have approved such alterations.

**(i) Tax**

Option holders must indemnify the Group in respect of any income tax and / or employee National Insurance contribution liability which becomes due on grant, exercise or release of any share options.

Unless the Remuneration Committee decides otherwise at or prior to the date of the grant of the share option, option holders must also indemnify the relevant Group Company against any employer's national insurance contribution liability which becomes due on grant, exercise or release of any share option.

**7. Employees**

Details of the Group's employees are as follows:

	<b>Approximate Current Numbers</b>	<b>Period ended 31 December 2012</b>
Total	177	161

The Group also employs some temporary staff. The approximate current number is 14.

An approximate breakdown of current employees (including temporary staff) by category and location is as follows:

	<b>UK</b>	<b>US</b>	<b>India</b>	<b>Elsewhere</b>
Total	107	11	47	26
Directors and Senior Managers				20
Customer services and solutions				76
R&D and product				66
Other				29

## PART VI

### ADDITIONAL INFORMATION

#### 1. Incorporation

- 1.1 The Company was incorporated and registered in England and Wales on 30 October 2013 under the Companies Act as a public limited company with registered number 8754680. The Company was issued with a certificate to commence business and borrow pursuant to section 761 of the Companies Act on 30 October 2013.
- 1.2 In order to satisfy certain requirements in connection with Admission, the Company will, conditional on, and with effect immediately prior to, Admission, become the new parent undertaking of the Group by way of a share exchange with the shareholders of Rightster pursuant to the Share Exchange Agreement.
- 1.3 The Company is a public limited company and accordingly, the liability of its members is limited to the amount paid up or to be paid up on their shares.
- 1.4 The principal legislation under which the Company operates and under which the Placing Shares have been or will be created is the Companies Act and the regulations made thereunder.
- 1.5 The head and registered office of the Company is at 5th Floor, 33 Cavendish Square, London W1G 0PW (telephone number 020 7183 4545 or, if dialling from outside the United Kingdom, +44 20 7183 4545).
- 1.6 The business of the Company and its principal activity is to act as a holding company. The Group's activities and operations will be carried on by the Company's subsidiaries.
- 1.7 The Company's website address, at which the information required by Rule 26 of the AIM Rules can be found from Admission, is [www.rightster.com](http://www.rightster.com).

#### 2. Share capital

- 2.1 The issued and fully paid share capital of the Company, as at the date of this document and as it is expected to be immediately following Admission, is as follows:

	At present*		Immediately following Admission	
	No. of ordinary shares of £0.0001	Nominal Value/£	No. of Ordinary Shares	Nominal Value/£
Ordinary shares issued and fully paid	500,000,000	50,000	116,372,334	116,372.33
Deferred shares of £0.0000001 each issued and fully paid			66,599,999,334,000	6,659,999.93

(\*) Prior to the Share Exchange and the Reorganisation becoming effective.

The New Articles do not contain any limit on the number of Ordinary Shares which the Company may issue.

On 12 November 2013, 34,083,333 Placing Shares will, subject to Admission, be issued pursuant to the Placing at the Placing Price.

The following changes have occurred in the issued share capital of the Company since 30 October 2013, being the date of its incorporation:

- (A) the issued share capital of the Company as at incorporation on 30 October 2013 was 500,000,000 ordinary shares of £0.0001 each, all of which were issued to Charles Muirhead;
- (B) by resolutions passed on 8 November 2013, conditional only on, and with effect immediately prior to, Admission, the Company approved the issue of 66,166,666,000 ordinary shares of £0.0001 each, 200,000,000,000 series A preferred shares of £0.0000001 each (the "Series A Preferred Shares") and 473,796,205,347 series B preferred shares of £0.0000001 each (the "Series B Preferred Shares") (the Series A Preferred Shares and the Series B Preferred Shares, together being the "Preferred



Shares”), to the shareholders of Rightster pursuant to the Share Exchange (it being noted that Charles Muirhead holds the 500,000,000 ordinary shares of £0.0001 each in issue in the capital of the Company, being the subscriber shares);

- (C) in accordance with the articles of association of the Company, the persons who will be holders of a majority of the Preferred Shares on completion of the Share Exchange, have given notice to the Company requiring the conversion of all of the Preferred Shares into ordinary shares of £0.0000001 each on a one for one basis conditional only on, and with effect from, Admission;
- (D) by resolutions passed on 8 November 2013, conditional only on, and with effect from, Admission:
  - (1) the Company subdivided each ordinary share of £0.0001 into one ordinary share of £0.0000001 and 999 deferred shares of £0.0000001 each;
  - (2) each Preferred Share was redesignated as an ordinary share of £0.0000001; and
  - (3) every 10,000 ordinary shares of £0.0000001 each in nominal value was consolidated into one Ordinary Share,(together, the “Reorganisation”)

**2.2** Save as disclosed in this document:

- (A) no loan capital of the Company has been issued or is proposed to be issued;
- (B) there are no shares in the capital of the Company currently in issue with a fixed date on which entitlement to a dividend arises and there are no arrangements in force whereby future dividends are waived or agreed to be waived;
- (C) no person has any preferential subscription rights for any share capital of the Company;
- (D) none of the Ordinary Shares have been sold or made available to the public in conjunction with the application for Admission;
- (E) no commissions, discounts, brokerages or other special terms have been granted by the Company since its incorporation in connection with the issue or sale of any share or loan capital of the Company; and
- (F) no shares in the Company are held by the Company or any of its subsidiary undertakings.

**2.3** Save as disclosed in this document, there are no acquisition rights or obligations over unissued share capital of the Company and there is no undertaking to increase the issued share capital.

**2.4** On 8 November 2013, conditional upon Admission becoming effective on or before 12 December 2013, the sole Shareholder of the Company passed resolutions to the following effect:

- (A) the Directors were authorised, pursuant to section 551 of the Companies Act, to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for or to convert any security into such shares (all of which transactions are hereafter referred to as an allotment of “relevant securities”) up to an aggregate nominal amount of:
  - (1) £42,326.06 in connection with the Placing and the issue of the Subscription Shares pursuant to the subscription letters described in paragraph 7.1(J) of this Part VI (the “Initial Allotments”);
  - (2) £2,326.04 in connection with the Warrant Instrument (the “Warrant Allotment”);
  - (3) £4,000 in connection with options granted to the Chief Executive Officer (the “Executive Allotment”) and £17,455.85 in connection with options granted or to be granted pursuant to the Share Option Plan (the “Share Option Allotment”)
  - (4) £38,402.87 (other than pursuant to paragraphs (1), (2) and (3) above); and
  - (5) £38,402.87 (other than pursuant to paragraphs (1), (2), (3) and (4) above) in connection with a rights issue, open offer, scrip dividend, scheme or other pre-emptive offer to holders of ordinary shares where such issue, offer, dividend, scheme or other allotment is proportionate (as nearly as may be) to the respective

number of ordinary shares held by them on a fixed record date (but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with legal or practical problems under the laws of any overseas territory, the requirements of any regulatory body or any stock exchange in any territory, in relation to fractional entitlements, or any other matter which the Directors consider merits any such exclusion or other arrangements),

provided that, in each case, such authority shall expire 15 months after the date of the passing of the resolution or at the conclusion of the next annual general meeting of the Company following the passing of the resolution, whichever occurs first (unless previously revoked or varied by the Company in general meeting), but the Company may before the authority expires (or is revoked or varied) make an offer or agreement which would or might require relevant securities to be allotted after the authority expires (or is revoked or varied) and the Directors may allot relevant securities pursuant to such offer or agreement as if the authority had not expired or been revoked or varied; and

- (B) the Directors were empowered pursuant to section 570 of the Companies Act to allot equity securities (as defined in section 560 of the Companies Act) for cash pursuant to the authority conferred by the resolution referred to at paragraph (A) above as if section 561 of the Companies Act did not apply to any such allotment, provided that the authority shall:
- (1) be limited to:
    - (a) the Initial Allotments;
    - (b) the Warrant Allotment;
    - (c) the allotment of equity securities representing up to £21,455.85 in nominal value in connection with the grant of options (or other rights to acquire ordinary shares) in accordance with the rules of the Company's share options schemes (as varied from time to time) or otherwise to employees, consultants and/or Directors of the Company and/or any of its subsidiaries (including the Executive Allotment and the Share Option Allotment);
    - (d) the allotment of equity securities pursuant to the authority referred to in paragraph (A)(5) above; and
    - (e) the allotment of equity securities for cash otherwise than pursuant to subparagraphs (a), (b), (c), (d) and (e) above up to an aggregate maximum nominal amount of £11,637.24; and
  - (2) subject to the continuance of the authority conferred by the resolution referred to at paragraph (A) above, expire 15 months after the date of the passing of the resolution or at the conclusion of the next annual general meeting of the Company following the passing of the resolution, whichever occurs first (unless previously revoked or varied by the Company by special resolution) but the Company may before the authority expires (or is revoked or varied) make an offer or agreement which would or might require equity securities to be allotted after the authority expires (or is revoked or varied) and the Directors may allot equity securities pursuant to such offer or agreement as if the authority had not expired or been revoked or varied.
- (C) the New Articles (certain provisions of which are summarised below) were adopted as the articles of association of the Company in substitution for, and to the exclusion of, the existing articles of association of the Company.

**2.5** The provisions of section 551 of the Companies Act, which confers on Shareholders rights of pre-emption in respect of the allotment of equity securities which are, or are to be, paid up fully in cash, other than by way of allotment to employees under an employee share scheme (as defined in section 1166 of the Companies Act) will apply to the Ordinary Share capital of the Company, to the extent that such rights are not disapplied by special resolution by the shareholders pursuant to section 570 of the Companies Act in accordance with the resolution noted at paragraph 2.4(B) above or otherwise.

**2.6** The Placing Shares will have the rights and be subject to the restrictions referred to in paragraph 4.1 of this Part VI.

- 2.7 The Placing Shares will, on Admission, rank *pari passu* in all respects with the existing Ordinary Shares, including the right to receive all dividends and other distributions declared, made or paid after the date of this document.
- 2.8 As at the date of this document, the Company has granted, conditional on Admission, options over 620,000 Ordinary Shares under the Share Option Plan. As noted in paragraph 6 of Part V of this document, on completion of the Share Exchange, the Company will grant share options over 14,594,591 Ordinary Shares in accordance with the Share Option Plan (as replacement options for share options over ordinary shares of £0.0001 each in the capital of Rightster granted under the Rightster Share Option Plan). In addition, the Company has granted up to 4,000,000 unapproved options to the Chief Executive Officer, conditional upon Admission, under the Executive Share Option Agreement (details of which are set out in paragraph 3 of Part V of this document).

### 3. Subsidiary undertakings and other interests

On Admission, the principal companies in which the Group's interest is 10 per cent. or more will be as follows:

Name	Registered Number	Status	Place of Incorporation	Interest held by the Group
Rightster Limited	07634543	Company	England & Wales	100 per cent.
Rightster, Inc.	5141775	Corporation	Delaware, US	100 per cent.
Rightster (Gibraltar) Limited	108104	Company	Gibraltar	100 per cent.
Rightster India LLP	Not applicable	Limited Liability Partnership	India	100 per cent.
Preview Networks ApS	28133049	Company	Denmark	100 per cent.
Viral Management Limited	07760820	Company	England & Wales	approx. 25 per cent.

### 4. Articles of association and related rights

#### 4.1 New Articles

The constitution of the Company provides that the objects of the Company shall be unrestricted. The New Articles contain, *inter alia*, provisions to the following effect:

##### (A) Rights attaching to Ordinary Shares

###### (1) Voting rights

Subject to disenfranchisement in the event of any non-compliance with any statutory notice requiring disclosure of the beneficial ownership of any shares as mentioned in (4) below, and subject to any special rights or restrictions as to voting for the time being attached to any shares (as to which there will be none immediately following Admission, other than in relation to Deferred Shares, as discussed in Section (B) below), on a show of hands every member who, being an individual, is present in person shall have one vote (every member who is present by one or more proxies or authorised representatives shall have one vote in respect of each proxy or authorised representative appointed by him) and on a poll each member present in person or by proxy or authorised representative shall have one vote for every share of which he is a holder. In the case of joint holders, the vote of the person whose name stands first in the register of members is accepted to the exclusion of any votes tendered by any other joint holders.

###### (2) Dividends

The Company may, by ordinary resolution from time to time, declare dividends to be paid to members according to their rights and interests in the profits available for distribution. Dividends are not payable on any fixed dates.

###### (3) Return of capital

Subject to the rights attached to any shares issued on any special terms and conditions (as to which there will be none immediately following Admission, other than in relation to Deferred Shares, as discussed in Section (B) below), on a winding-up the surplus assets remaining after payment of all creditors of the Company will be divided amongst the members of the Company according to their respective holdings of shares.

(4) Restrictions on shareholders

If a member or any other person appearing to be interested in shares, has been given notice under section 793 of the Companies Act and has failed to give information of their interest in any shares (the "Default Shares") within a prescribed time, not being less than 14 days, the member shall not be entitled in respect of the Default Shares to attend or vote either personally or by proxy at a general meeting of the Company or a meeting of the holders of any class of shares or to exercise any other right in relation to general meetings of the Company or meeting of the holders of any class of its shares.

Where the Default Shares represent 0.25 per cent. or more (in number) of the issued shares of a class, then the Company shall be entitled to withhold any dividend (or part thereof), any right to receive shares instead of a dividend or other money which would otherwise be payable in respect of the Default Shares and the Directors may refuse to register any transfer of the Default Shares other than to a *bona fide* unconnected third party.

(B) Rights attaching to Deferred Shares

(1) Dividends

The holders of Deferred Shares carry no rights to participate in the profits of the Company.

(2) Return of capital

On a return of capital on a winding up or dissolution (but not otherwise) the holders of the Deferred Shares shall be entitled to participate in the distribution of the assets of the Company *pari passu* with the holders of the Ordinary Shares but only in respect of any excess of those assets above £1,000,000,000,000.

(3) Voting rights

The holders of the Deferred Shares shall not be entitled, in their capacity as holders of such shares, to receive notice of any general meeting of the Company or to attend, speak or vote at any such meeting.

(4) Form

The Deferred Shares shall not be listed on any stock exchange nor shall any share certificates be issued in respect of such shares. The Deferred Shares shall not be transferable, save as referred to below or with the written consent of the Directors.

(5) Class rights

The Company may from time to time create, allot and issue further shares, whether ranking *pari passu* with or in priority to the Deferred Shares, and on such creation, allotment or issue any such further shares (whether or not ranking in any respect in priority to the Deferred Shares) shall be treated as being in accordance with the rights attaching to the Deferred Shares and shall not involve a variation of such rights for any purpose. A reduction by the Company of the capital paid up on the Deferred Shares shall be in accordance with the rights attaching to the Deferred Shares and shall not involve a variation of such rights for any purpose and the Company shall be authorised at any time to reduce its capital (subject to and in accordance with the Companies Act) without obtaining the consent of the holders of the Deferred Shares.

(6) Company's rights

The Directors have the irrevocable authority at any time to do all or any of the following without obtaining the sanction of the holders of the Deferred Shares:

- (a) to appoint any person to execute on behalf of any holder of Deferred Shares a transfer of all or any part thereof and/or an agreement to transfer the same (without making any payment therefor) to such person as the Board may determine (whether or not an officer of the Company) and who is willing to accept the same;
- (b) to cause the Company to purchase all or any of the same in accordance with the Companies Act for an amount equal to one penny in respect of all the Deferred Shares then being purchased;

- (c) for the purposes of any such purchase under (b) above, to appoint any person to execute on behalf of any holder of Deferred Shares a contract for the sale to the Company of any such Deferred Shares held by him; and
- (d) to cancel all or any Deferred Shares purchased by the Company in accordance with the Companies Act.

Upon or after the purchase of any Deferred Shares in accordance with this subparagraph (6), the Directors may consolidate and/or subdivide and/or convert and/or reclassify the deferred share capital of the Company existing following such purchase (i) into shares of any other class of share capital into which the share capital is or may at that time be divided of a like nominal amount as the shares of such other class and/or (ii) into unclassified shares.

(C) Transfer of shares

A member may transfer all or any of his uncertificated shares and the Company shall register the transfer of any uncertificated shares in accordance with any applicable statutory provision. The Directors may refuse to register the transfer of an uncertificated share or any renounceable right of allotment of a share which is a participating security held in uncertificated form in accordance with the CREST Regulations to the extent that the Company is permitted to do so by the CREST Regulations (other than in the case of a transfer to joint holders, when the number of joint holders to whom the share is to be transferred does not exceed four), provided that where the uncertificated shares are admitted to AIM, such a refusal would not prevent dealings in the shares of that class taking place on an open and proper basis. If the board of directors refuses to register a transfer of an uncertificated share it shall, within two months of the date on which the operator instruction relating to such a transfer was received by the Company, send to the transferee notice of the refusal.

A member may transfer all or any of his certificated shares by an instrument in writing in any usual form, or in any other form which the Directors may approve. The instrument of transfer of a partly paid share shall be executed by or on behalf of the transferee. The Directors may, in their absolute discretion and without giving any reason, refuse to register the transfer of a certificated share which is not fully paid up or on which the Company has a lien provided that, where any such shares are admitted to the Official List or to AIM, such a refusal would not prevent dealings in the shares of that class taking place on an open and proper basis. The Directors may also refuse to register a transfer of a certificated share, whether or not fully paid, unless (1) the instrument of transfer is duly stamped and lodged with the Company accompanied by the certificate for the shares to which it relates and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer; or (2) the instrument of transfer is in respect of only one class of share; or (3) in the case of a transfer to joint holders, the number of joint holders to whom the share is to be transferred does not exceed four. If the Directors refuse to register a transfer of a share they shall, by the earlier of (1) the time required by the rules of the London Stock Exchange, the UKLA or the FCA in force for the time being; or (2) two months after the date on which the transfer was lodged with the Company, send to the transferee notice of the refusal.

(D) Changes in capital

The Company may by ordinary resolution:

- (1) consolidate and divide all or any of its share capital into shares of a larger amount than its existing shares;
- (2) sub-divide its shares, or any of them, into shares of a smaller amount than its existing shares; and
- (3) cancel shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person.

Subject to the provisions of the Companies Act and to the rights attaching to existing shares, the Company may:

- (a) by ordinary resolution purchase, or enter into a contract under which it will or may purchase, its own shares; and

- (b) by special resolution reduce its share capital, any capital redemption reserve, share premium account or other undistributable reserve in any manner.

(E) Variation of rights

Subject to the provisions of the Companies Act, if at any time the capital of the Company is divided into different classes of shares (noting that immediately following Admission, it will be divided into Ordinary and Deferred Shares), the rights attached to any class may be varied or abrogated in such manner (if any) as may be provided by these rights or in the absence of any such provisions, with the consent in writing of the holders of not less than three-quarters in nominal value of the shares of that class (excluding treasury shares) or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. At any separate general meeting, the necessary quorum shall be two persons holding or representing by proxy at least one-third in nominal amount of the issued shares of the class in question (excluding treasury shares) or, at any adjourned meeting of such holders, shall be one person holding shares of the class in question in person or by proxy whatever his or their holding. Every holder of the shares of the class present in person shall, on a show of hands have one vote (every member present by one or more proxies or authorised representatives shall be entitled to one vote for every proxy or authorised representative appointed by him), or on a poll, have one vote in respect of every share of the class held by them respectively and a poll may be demanded by any holder of shares of the class present in person or by proxy.

(F) Directors

- (1) The number of Directors (other than alternate directors) shall not be less than two. There shall be no more than eight directors.
- (2) A Director shall not be required to hold any shares of the Company by way of qualification.
- (3) There shall be no age limit for Directors.
- (4) At each annual general meeting at least one-third of the Directors for the time being shall retire from office by rotation. The Directors to retire by rotation shall include, firstly, any Director who wishes to retire at the meeting and not offer himself for re-election and secondly, those Directors who have been longest in office since their last appointment or reappointment, provided always that each Director shall be required to retire and offer himself for re-election at least every three years. A retiring Director who is willing to act shall be eligible for re-appointment by ordinary resolution at the annual general meeting.
- (5) The Directors (other than alternate directors) shall be entitled to such remuneration by way of fees for their services in the office of a director as the Directors may determine (not exceeding £300,000 in aggregate per annum or such larger sum as the Company may, by ordinary resolution, decide). Such fee shall be divided between the Directors as they agree or, failing agreement, equally. Any salary, remuneration or other amount payable to a Director in respect of any executive office held by him or other work performed by him which is beyond the scope of his office as a Director, shall be paid to him either in addition to or in lieu of his remuneration as a Director.
- (6) The Directors may also be paid all reasonable travelling, hotel and other expenses properly incurred by them in connection with their attendance at meetings of the Directors or of committees of the Directors or general meetings or separate meetings of the holders of any class of shares or of debentures of the Company.
- (7) The Directors may purchase and maintain insurance, for the benefit of any persons who are or were at any time Directors, officers (excluding auditors) or employees of the Company or any other company or undertaking which is (a) the holding company of the Company, or (b) otherwise allied to or associated with the company or a subsidiary of the Company or (c) a predecessor in business of the Company or of any such holding company, or who were at any time trustees of any pension fund in which employees of the Company, or of any other such company or subsidiary undertaking, are interested.

- (8) Subject to the provisions of the Companies Act a Director may be a party to or otherwise interested in any contract, transaction, arrangement or proposal with the Company or in which the Company is otherwise interested either in regard to his tenure of any office or place of profit or as vendor, purchaser or otherwise. A Director may hold any other office or place of profit under the Company (except that of auditor or auditor of a subsidiary of the Company) in conjunction with the office of director and may act by himself or through his firm in such professional capacity for the Company and in any such case on such terms as to remuneration and otherwise as the Directors may arrange. Any remuneration shall be in addition to any remuneration provided for by any other article.
- (9) A Director who to his knowledge is in any way (directly or indirectly) interested in a contract, transaction, arrangement or proposal with the Company shall declare the nature of his interest at the meeting of the Directors at which the question of entering into such contract, transaction, arrangement or proposal is first considered if he knows his interest then exists or in any other case at the first meeting of the Directors after he knows that he is or has become so interested or by means of a notice complying with the Companies Act, given as soon as practicable after the interest arises or, as the case may be, the Director knows that he is or has become so interested.
- (10) A Director shall not vote or be counted in the quorum on any resolution of the directors concerning his own appointment (including the fixing and varying of terms of appointment or the termination thereof) as the holder of any office or place of profit with the Company or any other company in which the Company is directly or indirectly interested. Where proposals are under consideration concerning the appointment (including the fixing or varying of terms of appointment) of two or more Directors to offices or employment with the Company or any body corporate in which the Company is interested (other than one in which the Director and any persons connected with him have such an interest as is mentioned in (11)(d) below) the proposals may be divided and considered in relation to each director separately and (provided he is not under the New Articles or for any other reason precluded from voting) each of the Directors concerned shall be entitled to vote and be counted in the quorum in respect of each resolution except that concerning his own appointment.
- (11) A Director shall not vote or count in the quorum in relation to a resolution or meeting of the Directors in respect of any contract or arrangement or any other proposals whatsoever in which he has an interest which (together with any interest of a connected person) to his knowledge is a material interest. Notwithstanding the above, a Director shall be entitled to vote (and be counted in the quorum) on: (a) any transaction in which he is interested by virtue of his interest in shares or debentures or other securities of or otherwise in or through the Company; (b) the giving of any guarantee, security or indemnity to him in respect of money lent or obligations undertaken by him or by any other person at the request of, or for the benefit of, the Company or any of its subsidiary undertakings; or the giving of any guarantee, security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiary undertakings for which he himself has assumed responsibility in whole or in part and whether alone or jointly with others under a guarantee or indemnity or by the giving of security; (c) any transaction relating to an offer of shares, debentures or other securities of or by the Company or any of its subsidiary undertakings in which offer the Director is or may be entitled to participate as a holder of securities or in the underwriting or sub-underwriting of which the Director is to participate; (d) any contract, transaction, arrangement or proposal to which the Company is or is to be a party relating to another company, including any subsidiary undertaking of the Company (not being a company in which a Director owns one per cent. or more), in which he and any persons connected with him do not to his knowledge (directly or indirectly) hold an interest in shares (as that term is used in Part 22 of the Companies Act) whether as an officer, shareholder, creditor or otherwise representing one per cent. or more of any class of the equity share capital, or the voting rights, in that company or of

any other company through which his interest is derived; (e) any contract, transaction, arrangement or proposal for the benefit of employees of the Company or any of its subsidiary undertakings (including in relation to a pension fund, retirement, death or disability benefits scheme or personal pension plan) which does not award him any privilege or benefit not generally awarded to the employees to whom the arrangement relates; (f) any contract, transaction, arrangement or proposal concerning insurance which the Company proposes to maintain or purchase for the benefit of Directors or for the benefit of persons including Directors; and (g) (save in relation to any matter concerning or affecting his own participation therein) any transaction involving the adoption or modification of any share option or share incentive scheme of the Company.

(12) The provisions of the New Articles relating to the permitted interests of the directors and their ability to vote thereon may be suspended or relaxed and a transaction not duly authorised thereby may be ratified, in each case by ordinary resolution.

(13) Without prejudice to any of such provisions of the New Articles the Directors have power, in accordance with the Companies Act, to authorise any interest of a Director (including an interest arising from any duty a Director may owe to, or interest he may have as an employee, director, trustee, member, partner, officer or representative of, or a consultant to, or as a direct or indirect investor in, the Company) which conflicts, or may conflict, with the interests of the Company, not being in relation to a contract or arrangement between the Director and the Company itself.

(G) Borrowing powers

The board of Directors may exercise all the powers of the Company to borrow money and to mortgage or charge all or any part of its undertaking, property and assets (both present and future) and uncalled capital and to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party. The board of Directors shall restrict the borrowings of the Company and exercise all voting and other rights or powers of control exercisable by the Company in relation to its subsidiary undertakings (if any) so as to secure (but as regards subsidiary undertakings only so far as by such exercise it can secure) that the aggregate principal amount outstanding at any time in respect of all borrowings by the Group (exclusive of any borrowings which are owed by one Group company to another Group company) shall not, without the previous sanction of an ordinary resolution of the Company, exceed an amount equal to 2 times the adjusted capital and reserves (as defined in the New Articles) or any higher limit fixed by ordinary resolution of the Company which is applicable at the relevant time.

(H) Meetings

Subject to the provisions of the Companies Act, an annual general meeting shall be called by at least twenty-one clear days' notice, and all other general meetings shall be called by at least fourteen clear days' notice. The notice should specify the place, the date and the time of meeting and the general or special nature of business to be transacted. A general meeting shall, notwithstanding that it has been called by shorter notice than that specified above, be deemed to have been duly called if it is so agreed in the case of an annual general meeting, by all the members entitled to attend and vote at the meeting; and in the case of any other meeting, by a majority in number of the members having a right to attend and vote at that meeting, being a majority together holding not less than 95 per cent. in nominal value of the shares giving that right.

(I) Unclaimed dividends

Any dividend which has remained unclaimed for twelve years from the date when it became due for payment shall be forfeited and revert to the Company.



#### 4.2 Mandatory takeover bids, squeeze out and sell out rules

Other than as provided by the Companies Act and the Takeover Code, there are no rules or provisions relating to mandatory bids, or squeeze-out or sell-out rights which apply to the Ordinary Shares. There are no provisions in the New Articles delaying, deferring or preventing a change of control of the Company.

#### 4.3 Notice of 3 per cent. interests

Subject to certain qualifications and exceptions, Chapter 5 of the Disclosure and Transparency Rules of the FCA requires that a person who acquires an interest in 3 per cent. or more of the voting rights attaching to issued voting shares of a company whose shares are admitted to AIM, whether such shares are held directly or by means of a derivative contract which results in a right to acquire such shares or an instrument having similar economic effect, must, within two business days of such acquisition, or of his becoming aware of the facts constituting the acquisition of the interest, notify the Company of his interest. If while he has such an interest, he acquires or disposes of an interest representing 1 per cent. or more of the voting rights attaching to issued voting shares of the Company he must notify that event and must also notify the cessation of his having a 3 per cent. interest. Where a person is party to an agreement between two or more persons which obliges them to adopt by concerted exercise of voting rights a lasting common policy towards the management of the Company, the interests of all such persons are aggregated for the purposes of the notification provisions and each party is required to notify not only his own interests and changes therein but those of the other parties to the agreement. All notifications received under these provisions will be the subject of a public announcement under the AIM Rules.

#### 4.4 Requirement to disclose interests in voting shares

Under provisions contained in Part 22 of the Companies Act the company may serve a notice on any person who it believes has, or may in the previous three years have had, an interest in its voting shares requiring them to give particulars of their interest, or, if no interest is then held, of any person to whom any previous interest was transferred. The Company must exercise its right to serve such a notice if required to do so by holders of at least 10 per cent. of its paid up voting shares. Failure to comply with a notice is a criminal offence and the Company may impose sanctions against the shareholder concerned under its New Articles including disenfranchisement, withholding of dividends and restrictions on transfer. "Interest" is widely defined and includes an interest of any kind in the shares, subject to certain specific exclusions, but "interest" includes, *inter alia*, an agreement to purchase shares or the right to do so by virtue of an option and a person is interested in shares held by companies which he controls or which are controlled by his spouse, civil partner or children and where a person is party to an agreement between two or more persons that includes provisions for the acquisition by any one or more of them of interests in shares of the Company which imposes obligations or restrictions on any one or more of the parties with respect to their use, retention or disposal of such interests and such interests are acquired in pursuance of any agreement, each party to the agreement is regarded as interested in the shares held by each other such party.

## 5. Substantial Shareholdings

As at 8 November 2013 (being the latest practicable date prior to the publication of this document) the Directors were aware of the following direct and indirect interests (as disclosed to the Company under the Disclosure and Transparency Rules or under Part 22 of the Companies Act or otherwise known to the Directors) which represent 3 per cent. or more of the votes attaching to the issued share capital of the Company prior to Admission (and prior to the Reorganisation becoming effective) or immediately following Admission:

Shareholder	At present*		Immediately following Admission	
	No. of ordinary shares of £0.0001	Percentage of issued share capital	No. of Ordinary Shares	Percentage of issued share capital
Vesuvius Limited	—	—	50,459,092	43.4
Invesco Asset Management Limited	—	—	33,333,333	28.6
Charles Muirhead	500,000,000	100%	7,110,666	6.1
Plum Tree Limited	—	—	5,561,817	4.8
Penta Asset Management Limited	—	—	4,491,552	3.9

(\*) Prior to the Share Exchange and the Reorganisation becoming effective.

Save as disclosed above, the Directors are not aware of any person who is or will be immediately following Admission, directly or indirectly, interested in 3 per cent. or more of the votes attached to the issued share capital of the Company, or of any other person who immediately following Admission can, will or could, directly or indirectly, jointly or severally, exercise control over the Company. There are no present arrangements known to the Company, the operation of which may at a future date result in a change of control of the Company.

None of the substantial shareholders set out above has different voting rights from any other holder of Ordinary Shares in respect of any Ordinary Shares held by them.

## 6. Placing arrangements

### 6.1 Placing Agreement

The Company, the Directors and Cenkos have entered into an Agreement (the "Placing Agreement") dated 11 November 2013 pursuant to which and conditional upon, *inter alia*, Admission taking place on or before 12 November 2013 (or such later time and or date as the Company and Cenkos may agree being no later than 29 November 2013), Cenkos has agreed to use its reasonable endeavours to procure subscribers for the Placing Shares at the Placing Price. David Mathewson, a Proposed Director of the Company, is subscribing for 40,000 Placing Shares at the Placing Price as part of the Placing.

The Placing Agreement contains warranties and indemnities from the Company and the Directors in favour of Cenkos together with provisions which enable Cenkos to terminate the Placing Agreement in certain circumstances prior to Admission, including where any warranties are found to be untrue or inaccurate and also in the event of a material adverse change in the financial position or prospects of the Company or in national or international financial, market, economic or political conditions.

Under the Placing Agreement the Company has agreed to pay Cenkos:

(a) a corporate finance fee of £200,000; plus

(b) a success fee of three per cent. of the gross aggregate value, at the Placing Price, of all Placing Shares subscribed pursuant to the Placing by placees introduced by Cenkos (including without limitation Invesco Asset Management Limited and/or its affiliates or associates and/or funds managed by it); plus

(c) a success fee of one half of one per cent. of the gross aggregate value, at the Placing Price, of all Placing Shares subscribed pursuant to the Placing by the Directors and other persons not introduced by Cenkos.

The Company has agreed to pay all other costs, charges and expenses of or incidental to the Placing and Admission.

## **6.2 Nominated Adviser and Broker Agreement**

The Company and Cenkos have entered into a Nominated Adviser and Broker Agreement dated 11 November 2013, pursuant to which and conditional upon Admission, the Company has appointed Cenkos to act as its nominated adviser and broker for the purposes of the AIM Rules. The Company has agreed to pay Cenkos a fee of £60,000 per annum, reviewable annually for its services as nominated adviser and broker. The agreement contains certain undertakings and indemnities given by the Company in respect of, *inter alia*, compliance with all applicable laws and regulations. The agreement continues for an initial period of 12 months from Admission (unless terminated prior to such date on one of the grounds specified in the agreement) and thereafter may be terminated on 3 months' notice or otherwise in accordance with the terms of the agreement.

## **6.3 Lock-in Deeds**

The Company and Cenkos have entered into lock-in and orderly marketing deeds dated 11 November 2013 with (i) the Directors and "applicable employees" for the purposes of Rule 7 of the AIM Rules; and (ii) with Vesuvius pursuant to which the Directors, such "applicable employees" and Vesuvius (the "Lock-in Parties") have undertaken, subject to certain limited exceptions, including a sale in the event of an offer for all the Ordinary Shares in the Company, not to dispose of any of the Ordinary Shares which they hold, or have an interest in, immediately following Admission (or acquired by them following Admission) for a period of 12 months following Admission (the "Lock-in Period").

For the period of 12 months after the expiry of the Lock-in Period referred to above, the Lock-in Parties are obliged to sell Ordinary Shares held immediately following Admission (or acquired by them in the 12 months period following Admission) through Cenkos whilst Cenkos remains the Company's broker, and subject, *inter alia*, to Cenkos offering market terms for the carrying out of any such sale.

## **6.4 Orderly Market Deeds**

The Company, certain Shareholders and Cenkos have entered into orderly market deeds dated 11 November 2013 pursuant to which, for the period of 12 months after Admission, such Shareholders are obliged to sell the Ordinary Shares held immediately following Admission through Cenkos, whilst Cenkos remains the Company's broker, and subject to Cenkos offering market terms for the carrying out of any such sale.

## **7. Material Contracts and related party transactions**

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the Company or another member of the Group (i) within the two years immediately preceding the date of this document and which are, or may be, material; or (ii) at any time and which contain provisions under which any member of the Group has an obligation or entitlement which is material to the Group at the date of this document.

### **7.1 Material Contracts of the Company**

#### **(A) Placing Agreement**

The Placing Agreement is more particularly described in paragraph 6.1 of Part VI of this document.

#### **(B) Nominated Adviser and Broker Agreement**

The Nominated Adviser and Broker Agreement is more particularly described in paragraph 6.2 of Part VI of this document.

#### **(C) Lock-in Deeds**

The Lock-In Deeds are more particularly described in paragraph 6.3 of Part VI of this document.

#### **(D) Orderly Market Deeds**

The Orderly Market Deeds more particularly described in paragraph 6.4 of Part VI of this document.

**(E) Consultancy and Advisory Agreement**

On 11 November 2013, the Company, SIP and Michael Broughton entered into a consultancy and advisory agreement (the “SIP Consultancy Agreement”). Under the terms of the SIP Consultancy Agreement, SIP has agreed to provide certain services to the Company and the Group for a period of four years from Admission, subject to the earlier termination of the agreement in certain circumstances. These services include Michael Broughton, a managing partner of SIP, acting as a Non-Executive Director of the Company, the provision of strategic advice and support services, and the promotion of the best interests of the Company generally. In exchange for these services, the Company is to pay SIP an annual fee of £100,000, payable on a monthly basis. The Company has also agreed to pay SIP an introductory fee of £312,500 in relation to certain arrangements related to Admission and such fee is payable within 10 days after Admission.

**(F) Warrant Instrument**

On 11 November 2013, the Company and SIP entered into a warrant agreement (the “SIP Warrant Instrument”). Under the terms of the SIP Warrant Instrument, conditional on Admission, SIP has been granted warrants to subscribe in cash for up to 2,326,031 Ordinary Shares (representing approximately 2 per cent. of the undiluted share capital of the Company immediately following Admission) at the Placing Price. In order that the interests of SIP and the Company are aligned, the warrants will be exercisable only during the six month period following the fourth anniversary of Admission. The warrants will also become immediately exercisable in the event that a takeover offer is made for the Company, or the Company commences liquidation (whether voluntary or compulsory) or if the Company proposes to sell all or substantially all of its business and assets. The number of warrants and / or the exercise price of the warrants are subject to adjustment in the event that the share capital of the Company is reorganised following the grant of the warrants.

**(G) Business Development Agreement**

On 11 November 2013, the Company and SIP entered into a letter agreement pursuant to which SIP agreed, from Admission until 31 December 2017, to use its reasonable endeavours to introduce the Company to prospective clients. SIP is entitled to a percentage commission on net revenue actually received by the Company under contracts entered into by the Company with prospective clients introduced by SIP (subject to certain qualifications as to the identity of the prospective clients). The commission is payable, subject to the occurrence of certain specified events, within 5 business days following expiry of the term of the agreement. The Company is required to report to SIP on a quarterly basis and SIP has an audit right which may be exercised once only during each calendar year. The agreement may be terminated by either party in the event of a material breach.

**(H) Relationship Agreement**

On Admission, Vesuvius will hold approximately 43.4 per cent. of the Company’s issued share capital. The Company, Cenkos and Vesuvius entered into a relationship agreement on 11 November 2013 (the “Relationship Agreement”) to regulate aspects of the continuing relationship between the Company and Vesuvius, with the intention of enabling the Company to conduct its business affairs independently of Vesuvius and to ensure that future transactions between the Company and Vesuvius are on arm’s length terms and on a normal commercial basis. Certain undertakings given by Vesuvius in the Relationship Agreement will fall away, amongst other things, when the voting rights attaching to Vesuvius’ shareholding (together with that of its associates) in the capital of the Company represent less than 30 per cent. of all voting rights in the Company, when the Company’s Ordinary Shares cease to be admitted to trading on AIM, or such time that Cenkos ceases to be the Company’s nominated adviser, provided that Cenkos has not assigned its rights to the new nominated adviser with the Company’s consent. In the event that the voting rights attaching to Vesuvius’ shareholding in the capital of the Company (with that of its associates), at any time during the 12 months following such holdings having ceased to represent at least 30 per cent. of all voting rights of the Company and in circumstances where no Rule 9 bid is made by Vesuvius, again

represent 30 per cent or more of all voting rights in the Company, the relevant undertakings will revive. Pursuant to the Relationship Agreement, Vesuvius has the right, for so long as it (and/or any of its associates) hold 10 per cent. or more of the issued share capital of the Company, to appoint one non-executive director to the Board of the Company. The first such director is Jack Barnett.

**(I) Share Exchange Agreement and Deed of Novation and Termination**

All shareholders of Rightster (including those persons who will become shareholders in Rightster prior to the Share Exchange), Rightster and the Company entered into a share exchange agreement, dated 11 November 2013 (the “Share Exchange Agreement”), pursuant to which, conditional on and with effect immediately prior to Admission, the Company will acquire the entire issued share capital of Rightster. The consideration to be paid by the Company is the issue of shares in the Company to shareholders of Rightster (being of the same class and having the same rights in the share capital of the Company as the shares in the capital of Rightster to be transferred). Immediately following completion of the Share Exchange Agreement (but prior to those parts of the Reorganisation described in paragraphs 2.1(C) and (D) of this Part VI), the interest of each Shareholder in the issued share capital of the Company, and the rights attaching to the shares in the Company so acquired by each shareholder will replicate the issued share capital of Rightster immediately prior to the transfer of shares in Rightster.

All shareholders of Rightster (including those persons who will become shareholders in Rightster prior to the Share Exchange), Rightster and the Company also entered into a deed of novation and termination dated 11 November 2013 (the “Deed of Novation and Termination”). Pursuant to the Deed of Novation and Termination certain provisions of the SSA (as defined in paragraph 7.2 (B) of this Part VI) will upon completion of the Share Exchange Agreement be novated from Rightster to the Company with the effect that all costs, claims, expenses, liabilities, obligations and undertakings arising in respect of such provisions will become, from completion of the transfer of shares in the capital of Rightster to the Company, the cost, claim, expense, liability or obligation of the Company. The Deed of Novation and Termination also terminates the SSA (insofar as it relates to the Company and Rightster and save in respect of certain specified matters), conditional only on, and with effect immediately prior to, Admission (provided Admission occurs on or prior to 12 December 2013).

**(J) Subscription letters**

On 11 November 2013 certain Bridge Lenders (as defined in paragraph 7.2 (N) of this Part VI) subscribed for 8,191,096 Ordinary Shares in the capital of the Company (“Subscription Shares”) (conditional upon Admission occurring) at the Placing Price. Each Bridge Lender who has subscribed has directed that, on Admission, an amount owing to such Bridge Lender pursuant to the relevant Bridge Loan Agreement be paid by Rightster to the Company, which payment shall constitute: (i) a full and complete discharge of Rightster’s repayment and other obligations under the Bridge Loan Agreement in respect of that amount; and (ii) a good discharge for the relevant Bridge Lender of its obligation to pay subscription monies in respect of the Subscription Shares.

## **7.2 Material Contracts of Rightster**

**(A) Lepe Engagement Letter**

On 1 June 2012, Rightster and Lepe Partners LLP (“Lepe”) entered into an agreement (the “Lepe Engagement Letter”). Pursuant to the Lepe Engagement Letter, Rightster engaged Lepe to provide it with general financial advice and corporate finance services including, *inter alia*, helping Rightster to identify and secure potential investors. Subject to and conditional upon Admission, Rightster will pay Lepe £210,000 in connection with the provision of advice by Lepe in connection with the Placing and a commission of three per cent. of the gross aggregate value, at the Placing Price, of Placing Shares subscribed pursuant to the Placing by certain investors introduced by Lepe.

**(B) Rightster SSA**

Rightster, Charles Muirhead and Vesuvius entered into a subscription and shareholders' agreement relating to Rightster on 21 March 2012 (the "SSA"). Pursuant to the terms of the SSA, Vesuvius subscribed for 71,600,000 series A preferred shares of £0.0000001 each and Vesuvius and other persons subscribed for 66,666,666 series B preferred shares of £0.0000001 each ("Series B Preferred Shares") in the capital of Rightster. Rightster and Charles Muirhead gave warranties in relation to the subscriptions made pursuant to the SSA. The claim period for business warranties under the SSA expired in July 2013.

The SSA also set out provisions relating to the ongoing management and conduct of Rightster's business. Each person (other than Vesuvius and Charles Muirhead) who was a shareholder of Rightster prior to the Share Exchange was also a party to the SSA as a result of such persons executing a deed of adherence to the SSA. Certain provisions of the SSA will be novated from Rightster to the Company pursuant to the Deed of Novation and Termination (described in paragraph 7.1(l) above). The SSA will terminate (insofar as it relates to the Company and Rightster and save in respect of certain specified matters), conditional only on, and with effect immediately prior to, Admission (provided Admission occurs on or prior to 12 December 2013). The SSA contains certain provisions which relate to the vesting and clawback by the Company of Ordinary Shares held by Charles Muirhead which will continue to apply notwithstanding Admission.

**(C) VML Option Deed**

Rightster and the shareholders of VML entered into a put and call option deed on 18 October 2012 (the "VML Option Deed"). The VML Option Deed gave Rightster the option to acquire the entire issued share capital of VML in three options. Pursuant to the first option, which was exercised on 18 October 2012, Rightster acquired 25 per cent. of the issued shares in VML for a consideration of £500,000, satisfied by the payment of £250,000 in cash and the allotment and issue of series B preferred shares of £0.0000001 each in the capital of Rightster having an aggregate value of £250,000. The second and third options under the VML Option Deed to acquire the remaining 75 per cent. of the issued shares in VML was exercisable solely at the discretion of Rightster. On 11 September 2013, Rightster entered into a deed poll, irrevocably waiving any and all rights it may have had to exercise the second option and the third option, with the effect that the second option and the third option have now ceased to be exercisable by Rightster. Under the VML Option Deed, Rightster has the right to appoint a director to the board of VML, which is currently Charles Muirhead.

In connection with the VML Option Deed, Rightster agreed to provide VML with a finance facility of up to £100,000. VML has issued a drawdown notice in respect of the full amount of the facility. Rightster intends that the amount the subject of the drawdown notice will be paid to VML within 10 days after Admission.

**(D) Preview share purchase agreement**

Sunstone Technology Ventures Fund II K/S, Peter L. Holding ApS and New Media Group Limited (the "Preview Sellers") and Rightster entered into a share purchase agreement on 7 February 2013 (the "Preview SPA") relating to the acquisition by Rightster of the entire issued share capital of Preview Networks ApS ("Preview"). The Preview SPA is governed by Danish law.

Rightster acquired the entire issued share capital of Preview for non-cash consideration of EUR 2,104,000, comprising (i) the issue of loan notes having an aggregate face value of EUR 661,000 (the "Founder Notes"), payable in cash on 31 May 2013 to the Preview Sellers, and (ii) the issue of unsecured convertible loan notes having an aggregate face value of EUR 1,443,000 (the "Investor Notes"), also payable to the Preview Sellers. The Founder Notes have been redeemed by Rightster and the proceeds of such redemption were deposited in an escrow account in accordance with the Preview SPA. One half of the amount deposited in the escrow account has since been released to the former holders of the Founder Notes.

Pursuant to a letter agreement dated 1 November 2013 between all of the holders of Investor Notes and Rightster, the holders of the Investor Notes agreed that (i) Investor Notes with a face value of €589,000 are to be converted into Series B Preferred Shares in the capital of Rightster prior to the Share Exchange and (ii) the balance of the Investor Notes, comprising Investor Notes with a face value of €854,000 (approximately £722,615 at prevailing exchange rates) will be redeemed at their face value within 10 business days of Admission or, if later, 6 December 2013. Taking account of the terms of conversion of the Investor Notes and exchange rates, Rightster has agreed that, for conversion purposes, the aggregate value of the Investor Notes to be converted into Series B Preferred Shares in Rightster is £552,816.

Pursuant to the Preview SPA, Rightster advanced a loan of up to EUR 130,000 to Preview, with the principal amount and interest to be paid back in full to Rightster by no later than 1 July 2013, with interest to be charged at a rate of 20 per cent. per annum on the outstanding balance should the repayment not be made when due.

In addition, during 2013 the Company has loaned Preview EUR 310,000 for the purpose of cash flow, DKK 600,000 for a bank overdraft repayment and DKK 250,000 so as to enable the payment of a bonus. None of these loans have, as yet, been re-paid and it is not intended that they will be repaid prior to Admission. The loans are repayable on demand and do not accrue interest.

The Preview Sellers gave warranties to Rightster relating to Preview and its business. Rightster may make a claim for breach of warranty (provided that the value of any claim exceeds EUR 10,000 and the value of all claims exceeds EUR 150,000) at any time until 1 July 2014, with the exception of claims arising as a result of breach of warranty relating to intellectual property, IT systems and software, in respect of which claims can be made until 31 December 2014.

**(E) Settlement agreement with MPS**

Rightster, Rightster (Gibraltar) Limited and MP & Silva SARL (“MPS”) entered into a settlement agreement and release on 24 May 2013 (the “MPS Settlement Agreement”) which was entered into in consequence of a mediation between MPS and Rightster Gibraltar in respect of a dispute that arose out of the distribution, marketing, monetisation and production services agreement, dated 9 July 2012 between Rightster Gibraltar, Rightster and MPS (the “MPS Agreement”). Under the MPS Settlement Agreement, it was agreed that the MPS Agreement had terminated on 17 April 2013 (subject to certain limited ongoing obligations).

**(F) Security in favour of Barclays Bank plc**

In connection with a bank guarantee provided in respect of its ongoing obligations under the MPS Agreement, Rightster granted security to Barclays Bank plc on 2 July 2013 (the “Barclays Charge”). The Barclays Charge creates a first fixed charge over all the money deposited in Rightster’s Barclays US Dollar Premium Business Account (which amount is determined under the MPS Settlement Agreement). Rightster covenanted not to dispose of any of the amount deposited in the charged bank account. The Barclays Charge will remain in effect until the date which is six months after the expiry of the obligations set out in the MPS Settlement Agreement.

**(G) T5M Business and Asset Sale Agreement**

Rightster, The 5th Medium Limited (in liquidation) (“T5M”) and the liquidators of T5M (the “Liquidators”) entered into a business and asset sale agreement on 27 May 2011 relating to the acquisition by Rightster of the business and certain assets of T5M as a going concern (the “T5M Agreement”).

Rightster purchased the business and certain assets of T5M for a purchase price of £250,000. The purchase price payable by Rightster was split into: (i) an initial payment of £50,000 paid on completion of the acquisition; and (ii) deferred consideration to be paid in 22 equal monthly instalments of £10,000 each. In the event that Rightster defaulted on any of the monthly payments under the T5M Agreement, Rightster was to pay interest on such sums at a rate of two per cent. above the base rate of the Bank of England.

As at 28 October 2013, a debt of £90,000 remained to be paid by Rightster under the T5M Agreement plus accrued compound interest of £1,573.13. The parties have agreed that the outstanding amount (including accrued interest) shall be payable following Admission.

**(H) Creativesyndicator Limited asset purchase agreement**

Rightster and Creativesyndicator Limited (in administration) (“Creative”) entered into an asset purchase agreement on 30 August 2013 relating to the acquisition by Rightster of the business of and certain assets of Creative (the “Creative Agreement”).

Rightster purchased the Sports Syndicator business and certain assets of Creative for the purchase price of £300,005. The purchase price payable by Rightster was split into: (i) an initial payment of £50,000 paid on completion of the acquisition; and (ii) deferred consideration to be paid in eleven consecutive monthly instalments of £21,000, commencing on 31 October 2013, and one final monthly payment of £19,005 on or before 31 October 2014. In the event that Admission occurs before 31 October 2014, any balance of deferred consideration will be payable by Rightster in six equal and consecutive monthly instalments.

**(I) Share Exchange Agreement**

The Share Exchange Agreement is more particularly described in paragraph 7.1(I) above.

**(J) First Series B Subscriptions and First Series B Loan Agreements**

On 11 July 2012 the board of directors of Rightster approved the entry by Rightster into financing arrangements pursuant to which Rightster raised £6,500,000 by way of (i) the issue of series B preferred shares of £0.0000001 each (the “Series B Preferred Shares”) having an aggregate value of £3,250,000.05 (the “First Series B Subscriptions”) and (ii) the entry into loan agreements pursuant to which Rightster could borrow up to £3,249,999.95 (the “First Series B Loan Agreements”).

First Series B Subscriptions:

- (1)** On 11 July 2012, Rightster, Charles Muirhead and Vesuvius entered into a subscription agreement (the “Vesuvius Subscription Agreement”) pursuant to which Vesuvius subscribed for 20,000,000 Series B Preferred Shares having an aggregate subscription price of £1,500,000. Rightster and Charles Muirhead each gave warranties to Vesuvius. The period during which any claim could be made in respect of breach of warranty has expired. On 11 October 2013, Rightster, Charles Muirhead and Vesuvius entered into a side letter (the “Vesuvius Side Letter”) pursuant to which it was agreed that the terms of the Vesuvius Subscription Agreement would apply to the subscription by Vesuvius for an additional 14,215,000 Series B Preferred Shares having an aggregate subscription price of £1,066,125 (the “Side Letter Subscription”). As the period during which any claim could be made in respect of breach of warranty had expired before the date of the Vesuvius Side Letter, Vesuvius did not have the benefit of any warranty protection in respect of the Side Letter Subscription.
- (2)** On 16 November 2012, Rightster, Charles Muirhead, Vesuvius and Penta Asset Management Limited (“Penta”) entered into a subscription agreement (the “Penta Subscription Agreement”) pursuant to which Penta subscribed for 6,666,666 Series B Preferred Shares having an aggregate subscription price of £499,999.95. Rightster and Charles Muirhead each gave warranties to Penta, and Vesuvius and Penta agreed that no claim in respect of a breach of any obligation of Rightster under either the Vesuvius Subscription Agreement or the Penta Subscription Agreement would be made by either Vesuvius or Penta without (i) notifying the other party of such claim; and (ii) obtaining Vesuvius’ prior written consent. The period during which any claim could be made in respect of breach of warranty has expired.



- (3) On 23 September 2013, Rightster, Charles Muirhead, Vesuvius, David Peacock (“Peacock”), Sorbus Holdings S.A. (“Sorbus”) and Greg Lock (“Lock”) entered into a subscription agreement (the “Peacock, Sorbus and Lock Subscription Agreement”) pursuant to which: (i) Peacock subscribed for 1,333,334 Series B Preferred Shares having an aggregate subscription price of £100,000.05; (ii) Sorbus subscribed for 533,334 Series B Preferred Shares having an aggregate subscription price of £40,000.05; and Lock subscribed for 585,000 Series B Preferred Shares having an aggregate subscription price of £43,875. Rightster and Charles Muirhead each gave warranties to Peacock, Sorbus and Lock, and Vesuvius, Peacock, Sorbus and Lock agreed that no claim in respect of a breach of any obligation of Rightster under either the Vesuvius Subscription Agreement or the Peacock, Sorbus and Lock Subscription Agreement would be made by any of Vesuvius, Peacock, Sorbus or Lock without (i) notifying the other parties of such claim; and (ii) obtaining Vesuvius’ prior written consent. The period during which any claim could be made in respect of breach of warranty has expired.

First Series B Loan Agreements:

- (4) On 11 July 2012, Rightster and Vesuvius entered into a secured loan agreement (the “First Vesuvius Loan Agreement”) pursuant to which Vesuvius provided a term loan of £1,500,000 to Rightster, with an interest rate of 10 per cent. per annum (14 per cent. in the event of a default). The repayment date of the loan pursuant to the First Vesuvius Loan Agreement was initially 5 January 2013.

Pursuant to the First Vesuvius Loan Agreement, Rightster gave covenants to Vesuvius, including that it would not, without Vesuvius’ consent: (i) permit any new security interest to exist; (ii) dispose of any assets otherwise than in the ordinary course of trading; (iii) carry on any business which is not Rightster’s principal business; or (iv) reorganise its debt or equity. Vesuvius was also granted a right of first refusal to participate in future equity financing rounds undertaken by Rightster. Rightster gave warranties to Vesuvius (on substantially the same terms as in the Vesuvius Subscription Agreement). The First Vesuvius Loan Agreement does not provide any limit on (i) the duration of Vesuvius’ ability to claim against Rightster; or (ii) the amount which Vesuvius may claim against Rightster, for breach of any warranty given therein.

In the Vesuvius Side Letter, Rightster and Vesuvius agreed that the amount of the loan pursuant to the First Vesuvius Loan Agreement would be deemed to include the amount of an on-demand loan of £1,066,125 granted on 19 December 2012 by Vesuvius to Rightster (the “Vesuvius On-demand Loan”) (such enlarged loan amount being the “Outstanding Amount”) but that interest would only accrue on the amount of the Vesuvius On-demand Loan from 19 December 2012.

Pursuant to a deed dated 11 October 2013 (the “Vesuvius Amendment Deed”), it was agreed that the repayment date of the Outstanding Amount would be extended to be the earlier of (i) 31 December 2013; and (ii) the completion of an equity funding round by Rightster raising new monies in excess of £10,000,000.

On 11 November 2013, Rightster and Vesuvius agreed that, conditional on Admission occurring on or before 12 December 2013 and with effect immediately prior to the Share Exchange, Vesuvius would convert all of the Outstanding Amount and accrued interest thereon into Series B Preferred Shares in the capital of Rightster (at a conversion price equivalent to the Placing Price). The shares issued on conversion will participate in the Share Exchange.

Amounts owing by Rightster to Vesuvius under the First Vesuvius Loan Agreement were secured by a security agreement entered into by Rightster and Vesuvius on 11 July 2012 (the “Vesuvius Security Agreement”). Amounts owing under the Vesuvius On-demand Loan were also secured by the Vesuvius Security Agreement. Details of the Vesuvius Security Agreement and the related Amended and Restated Deed of Priorities are set out below in paragraphs 7.2(L) and 7.2(M), respectively.

- (5) On 15 November 2012, Rightster and Penta entered into a secured loan agreement (the “First Penta Loan Agreement”) pursuant to which Penta provided a term loan of £500,000.05 to Rightster attracting interest at a rate of 10 per cent. per annum (14 per cent. in the event of a default). The repayment date of the loan pursuant to the First Penta Loan Agreement was 5 April 2013.

Pursuant to the First Penta Loan Agreement, Rightster gave covenants to Penta, including that it would not, without Penta’s consent: (i) permit any new security interest to exist which ranks in priority to the security granted to Penta; (ii) dispose of any assets otherwise than in the ordinary course of trading; (iii) carry on any business which is not Rightster’s principal business; or (iv) reorganise its debt or equity. Penta was also granted a right of first refusal to participate in future equity financing rounds undertaken by Rightster. Rightster gave warranties to Penta (on substantially the same terms as in the Penta Subscription Agreement). The First Penta Loan Agreement does not provide any limit on (i) the duration of Penta’s ability to claim against Rightster; or (ii) the amount which Penta may claim against Rightster, for breach of any warranty given therein.

Pursuant to a deed dated 11 October 2013 it was agreed that the First Penta Loan Agreement would have the same repayment date as the First Vesuvius Loan Agreement (as amended by the Vesuvius Amendment Deed).

On 11 November 2013, Rightster and Penta agreed that, conditional on Admission occurring on or before 12 December 2013 and with effect immediately prior to the Share Exchange, Penta would convert all of the amount outstanding under the First Penta Loan Agreement and accrued interest thereon into Series B Preferred Shares (at a conversion price equivalent to the Placing Price). The shares issued on conversion will participate in the Share Exchange.

Amounts owing by Rightster to Penta under the First Penta Loan Agreement were secured by a security agreement entered into by Rightster and Penta on 15 November 2012 (the “Penta Security Agreement”). Details of the Penta Security Agreement and the related Amended and Restated Deed of Priorities are set out below in paragraphs 7.2(L) and 7.2(M), respectively.

- (6) On 23 September 2013, Rightster entered into a secured loan agreement with Peacock (the “Peacock Loan Agreement”) pursuant to which the parties confirmed the term loan of £100,000.05 which had been provided by Peacock to Rightster. The repayment date of the loan pursuant to the Peacock Loan Agreement was 5 April 2013.

The terms of the Peacock Loan Agreement are substantially the same as the terms of the First Penta Loan Agreement.

Pursuant to a deed dated 11 October 2013 it was agreed that the Peacock Loan Agreement would have the same repayment date as the First Vesuvius Loan Agreement (as amended by the Vesuvius Amendment Deed).

On 11 November 2013, Rightster and Peacock agreed that, conditional on Admission occurring on or before 12 December 2013 and with effect immediately prior to the Share Exchange, Peacock would convert all of the amount outstanding under the Peacock Loan Agreement and accrued interest thereon into Series B Preferred Shares (at a conversion price equivalent to the Placing Price). The shares issued on conversion will participate in the Share Exchange.

Amounts owing by Rightster to Peacock under the Peacock Loan Agreement were secured by a security agreement entered into by Rightster and Peacock on 23 September 2013 (the “Peacock Security Agreement”). Details of the Peacock Security Agreement and the related Amended and Restated Deed of Priorities are set out below in paragraphs 7.2(L) and 7.2(M), respectively.

- (7) On 23 September 2013, Rightster entered into a secured loan agreement with Sorbus (the “Sorbus Loan Agreement”) pursuant to which the parties confirmed the term loan of £40,000.05 which had been provided by Sorbus to Rightster. The repayment date of the loan pursuant to the Sorbus Loan Agreement was 5 April 2013.

The terms of the Sorbus Loan Agreement are substantially the same as the terms of the First Penta Loan Agreement.

Pursuant to a deed dated 11 October 2013 it was agreed that the Sorbus Loan Agreement would have the same repayment date as the First Vesuvius Loan Agreement (as amended by the Vesuvius Amendment Deed)

On 11 November 2013, Rightster and Sorbus agreed that, conditional on Admission occurring on or before 12 December 2013 and with effect immediately prior to the Share Exchange, Sorbus would convert all of the amount outstanding under the Sorbus Loan Agreement and accrued interest thereon into Series B Preferred Shares (at a conversion price equivalent to the Placing Price). The shares issued on conversion will participate in the Share Exchange.

Amounts owing by Rightster to Sorbus under the Sorbus Loan Agreement were secured by a security agreement entered into by Rightster and Sorbus on 23 September 2013 (the "Sorbus Security Agreement"). Details of the Sorbus Security Agreement and the related Amended and Restated Deed of Priorities are set out below in paragraphs 7.2(L) and 7.2(M), respectively.

- (8)** On 23 September 2013, Rightster entered into a secured loan agreement with Lock (the "First Lock Loan Agreement") pursuant to which the parties confirmed the term loan of £43,875 which had been provided by Lock to Rightster. The repayment date of the loan pursuant to the First Lock Loan Agreement was 5 April 2013.

The terms of the First Lock Loan Agreement are substantially the same as the terms of the First Penta Loan Agreement.

Pursuant to a deed dated 11 October 2013 it was agreed that the First Lock Loan Agreement would have the same repayment date as the First Vesuvius Loan Agreement (as amended by the Vesuvius Amendment Deed).

On 11 November 2013, Rightster and Lock agreed that, conditional on Admission occurring on or before 12 December 2013 and with effect immediately prior to the Share Exchange, Lock would convert all of the amount outstanding under the First Lock Loan Agreement and accrued interest thereon into Series B Preferred Shares (at a conversion price equivalent to the Placing Price). The shares issued on conversion will participate in the Share Exchange.

Amounts owing by Rightster to Lock under the First Lock Loan Agreement were secured by a security agreement entered into by Rightster and Lock on 23 September 2013 (the "Lock Security Agreement"). Details of the Lock Security Agreement and the related Amended and Restated Deed of Priorities are set out below in paragraphs 7.2(L) and 7.2(M), respectively.

**(K) Second Series B Subscriptions and Second Series B Loan Agreements**

On 4 October 2013 the board of directors of Rightster approved the entry by Rightster into financing arrangements pursuant to which Rightster raised £4,308,473 by way of (i) the issue of Series B Preferred Shares having an aggregate value of £2,154,236.40 (the "Second Series B Subscriptions") and (ii) the entry into loan agreements pursuant to which Rightster borrowed £2,154,236.60 (the "Second Series B Loan Agreements").

Second Series B Subscriptions:

- (1)** On 11 October 2013, Rightster, Charles Muirhead and Vesuvius entered into a subscription agreement (the "Second Series B Subscription Agreement") pursuant to which Vesuvius subscribed for 14,502,283 Series B Preferred Shares having an aggregate subscription price of £1,087,671 and other investors could subscribe for up to 14,220,872 Series B Preferred Shares through the execution of deeds of adherence to the Second Series B Subscription Agreement. Rightster and Charles Muirhead each gave warranties to Vesuvius. The period during which any claim for breach of warranty may be made expires on 2 April 2014. On 11 October 2013: (i) Penta and Rightster executed a deed of adherence to the Second Series B Subscription Agreement and Penta subscribed for 6,666,666 Series B Preferred Shares having an aggregate subscription price of £499,999.95; (ii) Lock and Rightster executed a deed of adherence to the Second Series B Subscription

Agreement and Lock subscribed for 887,540 Series B Preferred Shares having an aggregate subscription price of £66,565.50; and (iii) Navaho Investments Limited (BVI) (“Navaho”) and Rightster executed a deed of adherence to the Second Series B Subscription Agreement and Navaho subscribed for 6,666,666 Series B Preferred Shares having an aggregate subscription price of £499,999.95. Each of Penta, Lock and Navaho thereby obtained the benefit of the warranties granted by Rightster and Charles Muirhead. Pursuant to the Share Exchange Agreement, it was agreed that the Second Series B Subscription Agreement (including the ability of any subscriber to make any claim thereunder) would be terminated (insofar as it relates to the Company and Rightster and save in respect of certain specified matters) conditional on, and with effect immediately prior to, Admission.

#### Second Series B Loan Agreements:

- (2) On 11 October 2013, Rightster and Vesuvius entered into a secured loan agreement (the “Second Vesuvius Loan Agreement”) pursuant to which the parties confirmed the term loan of £1,087,671 which had been provided by Vesuvius to Rightster on substantially the same terms as the First Vesuvius Loan Agreement, save in respect of the date of repayment, which is the earlier of (i) 13 December 2013; and (ii) the completion of an equity funding round by Rightster raising new monies in excess of £10,000,000.

Rightster gave warranties to Vesuvius (on substantially the same terms as in the Second Series B Subscription Agreement). The period during which any claim for breach of warranty may be made expires on 2 April 2014.

On 11 November 2013, Rightster and Vesuvius agreed that, conditional on Admission occurring on or before 12 December 2013 and with effect immediately prior to the Share Exchange, Vesuvius would convert all of the amount outstanding under the Second Vesuvius Loan Agreement and accrued interest thereon into Series B Preferred Shares (at a conversion price equivalent to the Placing Price). The shares issued on conversion will participate in the Share Exchange.

Amounts owing by Rightster to Vesuvius under the Second Vesuvius Loan Agreement were secured by the Vesuvius Security Agreement. Details of the Vesuvius Security Agreement and the related Amended and Restated Deed of Priorities are set out below in paragraphs 7.2(L) and 7.2(M), respectively.

- (3) On 11 October 2013, Rightster and Penta entered into a secured loan agreement (the “Second Penta Loan Agreement”) pursuant to which the parties confirmed the term loan of £500,000.05 which had been provided by Penta to Rightster on substantially the same terms as the First Penta Loan Agreement, save in respect of the date of repayment, which is the same as in the Second Vesuvius Loan Agreement.

Rightster gave warranties to Penta (on substantially the same terms as in the Second Series B Subscription Agreement) and the period during which any claim for breach of warranty may be made expires on 2 April 2014.

On 11 November 2013, Rightster and Penta agreed that, conditional on Admission occurring on or before 12 December 2013 and with effect immediately prior to the Share Exchange, Penta would convert all of the amount outstanding under the Second Penta Loan Agreement and accrued interest thereon into Series B Preferred Shares (at a conversion price equivalent to the Placing Price). The shares issued on conversion will participate in the Share Exchange.

Amounts owing by Rightster to Penta under the Second Penta Loan Agreement were secured by the Penta Security Agreement. Details of the Penta Security Agreement and the related Amended and Restated Deed of Priorities are set out below in paragraphs 7.2(L) and 7.2(M), respectively.

- (4) On 11 October 2013, Rightster and Navaho entered into a secured loan agreement (the “Navaho Loan Agreement”) pursuant to which the parties confirmed the term loan of £500,000.05 which had been provided by Navaho to Rightster. The terms of the Navaho Loan Agreement are substantially the same as the terms of the Second Penta Loan Agreement.

Rightster gave warranties to Navaho (on substantially the same terms as in the Second Series B Subscription Agreement) and the period during which any claim for breach of warranty may be made expires on 2 April 2014.

On 11 November 2013, Rightster and Navaho agreed that, conditional on Admission occurring on or before 12 December 2013 and with effect immediately prior to the Share Exchange, Navaho would convert all of the amount outstanding under the Navaho Loan Agreement and accrued interest thereon into Series B Preferred Shares (at a conversion price equivalent to the Placing Price). The shares issued on conversion will participate in the Share Exchange.

Amounts owing by Rightster to Navaho under the Navaho Loan Agreement were secured by a security agreement entered into by Rightster and Navaho on 11 October 2013 (the "Navaho Security Agreement"). Details of the Navaho Security Agreement and the related Amended and Restated Deed of Priorities are set out below in paragraphs 7.2(L) and 7.2(M), respectively.

- (5) On 11 October 2013, Rightster and Lock entered into a secured loan agreement (the "Second Lock Loan Agreement") pursuant to which the parties confirmed the term loan of £66,566 provided by Lock to Rightster. The terms of the Second Lock Loan Agreement are substantially the same as the terms of the Second Penta Loan Agreement.

Rightster gave warranties to Lock (on substantially the same terms as in the Second Series B Subscription Agreement) and the period during which any claim for breach of warranty may be made expires on 2 April 2014.

On 11 November 2013, Rightster and Lock agreed that, conditional on Admission occurring on or before 12 December 2013 and with effect immediately prior to the Share Exchange, Lock would convert all of the amount outstanding under the Second Lock Loan Agreement and accrued interest thereon into Series B Preferred Shares (at a conversion price equivalent to the Placing Price). The shares issued on conversion will participate in the Share Exchange.

Amounts owing by Rightster to Lock under the Second Lock Loan Agreement were secured by the Lock Security Agreement. Details of the Lock Security Agreement and the related Amended and Restated Deed of Priorities are set out below in paragraphs 7.2(L) and 7.2(M), respectively.

#### (L) Series B Security Agreements

Each of the Vesuvius Security Agreement, the Penta Security Agreement, the Peacock Security Agreement, the Sorbus Security Agreement, the Lock Security Agreement and the Navaho Security Agreement (each being a "Series B Security Agreement") are on substantially the same terms and secure all monies owed by Rightster to the relevant lender.

Under each Series B Security Agreement, Rightster granted a fixed and floating charge to each lender over its assets and also pledged not to dispose of any of them. If an event of default occurs under a relevant loan agreement, the floating charge under the relevant Series B Security Agreement may be converted by the lender into a fixed charge by notice to Rightster.

The Series B Security Agreements were registered at Companies House in the following order: (1) Vesuvius Security Agreement; (2) Penta Security Agreement; (3) Peacock Security Agreement, Sorbus Security Agreement and Lock Security Agreement; (4) Navaho Security Agreement, however, notwithstanding the order of registration, the parties to the Series B Security Agreements agreed (pursuant to the Amended and Restated Deed of Priorities described in paragraph 7.2(M) below) that liabilities owed by Rightster to the Series B Lenders pursuant to the Series B Loan Agreements would rank equally.

**(M)** Amended and Restated Deed of Priorities

On 15 November 2012, the Company, Vesuvius and Penta into a deed of priority to regulate the ranking of the respective rights and securities of secured lenders in relation to the Company (the “Deed of Priorities”). Each of Sorbus, Lock and Peacock executed a deed of adherence to the Deed of Priorities on 23 September 2013 and became parties thereto. The Deed of Priorities was amended and restated on 11 October 2013 (the “Amended and Restated Deed of Priorities”) and on that date Navaho executed a deed of adherence to the Amended and Restated Deed of Priorities.

Notwithstanding the order of registration of the Series B Security Agreements, in the Amended and Restated Deed of Priorities, the lenders under the Series B Loan Agreements (the “Series B Lenders”) agreed that the liabilities owed by Rightster to the Series B Lenders pursuant to the Series B Loan Agreements would contractually rank equally but that the enforcement of any security would require the consent of those Series B Lenders holding a majority (by value) of the outstanding loan amounts owed to all of the Series B Lenders by Rightster.

**(N)** Bridge Loan Agreements

On 28 October 2013, Rightster entered into an agreement with each of Russ DeLeon (who subsequently novated his rights to Plum Tree Limited), Sir Martin Broughton, Hawk Investment Holdings Limited, Greg Lock, Jamie Diner and Graham Herring (each, a “Bridge Lender”) to confirm the provision to Rightster of working capital during the period up to Admission (each such loan agreement being a “Bridge Loan Agreement”). Each Bridge Loan Agreement was on the same terms and provided that the interest rate was 24 per cent. per annum from the date of receipt of funds and that Rightster would pay an arrangement fee to the Bridge Lender equal to 6 per cent. of the principal amount advanced pursuant to the Bridge Loan Agreement (to be paid by Rightster only at the time of repayment of the principal amount and accrued interest).

Rightster gave certain covenants to each Bridge Lender, including that it would not, without that Bridge Lender’s consent: (i) permit any new security interest to exist; (ii) dispose of any assets otherwise than in the ordinary course of trading; (iii) carry on any business which is not Rightster’s principal business; or (iv) reorganise its debt or equity. Rightster also gave certain warranties to each Bridge Lender in relation to its business and assets. Any claim by a Bridge Lender alleging breach of warranty must be made by a Bridge Lender no later than the earlier of 28 October 2014 or the date on which the loan is repaid in full by Rightster. The repayment date of each Bridge Loan Agreement is the earlier of (i) 31 March 2014; and (ii) Admission.

Amounts owing by Rightster to each Bridge Lender under a Bridge Loan Agreement were secured either (i) in the case of a Bridge Lender who is also a Series B Lender, pursuant to an existing Series B Security Agreement; or (ii) in the case of a Bridge Lender who is not a Series B Lender, pursuant to a security agreement entered into between Rightster and that Bridge Lender (a “Bridge Security Agreement”), on substantially the same terms as the Series B Security Agreements (described in paragraph 7.2(L) above). Such amounts rank equally with amounts owing by Rightster to each other Bridge Lender pursuant to a Bridge Loan Agreement and each Bridge Security Agreement is subject to the Bridge Deed of Priorities described in paragraph 7.2(O) below.

On 6 November 2013, Russ DeLeon novated his Bridge Loan Agreement to Plum Tree Limited so that Plum Tree Limited became a Bridge Lender in his place in respect of the full amount lent to Rightster under of his Bridge Loan Agreement. Such amount, following novation, owed to Plum Tree Limited by Rightster was secured by a new Bridge Security Agreement in favour of Plum Tree Limited, and Plum Tree Limited also acceded to the Bridge Deed of Priorities (as defined in paragraph 7.2(O) below). The series of documents entered into on 6 November 2013 to give effect to this novation and to which Rightster was a party included the following documents: a deed of novation, a deed of release, a new Bridge Security Agreement and a deed of accession to the Bridge Deed of Priorities (together the “Bridge Loan Novation Agreements”).

**(O) Bridge Deed of Priorities**

The Series B Lenders, the Bridge Lenders and Rightster entered into a deed of priorities on 28 October 2013 (the "Bridge Deed of Priorities").

Under the Bridge Deed of Priorities, the Bridge Lenders and Series B Lenders agreed that the security of the Bridge Lenders would rank ahead of the security of the Series B Lenders but the rankings of the Series B Lenders as set out in the Amended and Restated Deed of Priorities, would not be affected. Under the Bridge Deed of Priorities the liabilities owed by Rightster to the Bridge Lenders pursuant to the Bridge Loan Agreements would rank equally but the enforcement of any security would require the consent of those Bridge Lenders holding a majority (by value) of the outstanding loan amounts owed to all of the Bridge Lenders by Rightster.

**(P) Vesuvius On Demand Loans**

During the period 23 April 2013 to 30 July 2013 Vesuvius advanced certain amounts to Rightster as loans on an undocumented basis (together, the "Vesuvius On Demand Loans"). The aggregate principal amount of the Vesuvius On Demand Loans was £4,100,000. It was agreed that such on demand loans would accrue interest at the rate of ten per cent. per annum. Amounts owing by Rightster to Vesuvius under the Vesuvius On Demand Loans were secured by the Vesuvius Security Agreement.

Rightster and Vesuvius have agreed that the entire amount of the Vesuvius On Demand Loans and accrued interest thereon will be converted into Series B Preferred Shares in the capital of Rightster immediately prior to the Share Exchange.

**(Q) Plum Tree On Demand Loans**

During the period 28 March 2013 to 19 April 2013 Russ DeLeon advanced certain amounts to Rightster as loans on an undocumented basis, and then on 6 November 2013 he novated in full such loans to Plum Tree Limited pursuant to deed of novation to which Rightster is a party (the "On Demand Deed of Novation") whereby Plum Tree Limited became the lender in his place in respect of such loans. The aggregate principal amount of those loans (together, the "Plum Tree On Demand Loans") was £1,107,068. It was agreed that such on demand loans would accrue interest at the rate of ten per cent. per annum. These on demand loans were not secured.

Rightster and Plum Tree Limited have agreed that half of the amount outstanding to Plum Tree Limited in respect of the Plum Tree On Demand Loans will be converted into Series B Preferred Shares in the capital of Rightster immediately prior to the Share Exchange, with the balance of the Plum Tree On Demand Loans being repaid following Admission.

### **7.3 Material Contracts of Preview Networks**

**(A) Credit facility with Jyske Bank**

On 20 June 2012, Preview Networks entered into a credit facility agreement with Jyske Bank under which Preview Networks was granted a credit facility of DKK 3,000,000 (approximately £340,000) (the "Jyske Facility") which amount at the time the facility was entered into was fully drawn down. The loan pursuant to the Jyske Facility accrues interest at a variable rate which means that Jyske Bank may, at any time, adjust the interest rate (i) *without notice* in case of events outside the control of the bank (e.g. interest rate developments on the Danish or international money and bond markets, or legislative changes), or otherwise (ii) *with one month's notice* (e.g. because the bank for its own business reasons decides to adjust interest rates). The interest rate at the time the Jyske Facility was entered into was 7.5% p.a. The loan pursuant to the Jyske Facility is repayable by Preview Networks in five annual instalments of DKK 600,000 (approximately £68,000), with the first instalment repayable on 1 August 2013.

Jyske Bank may terminate the Jyske Facility on four weeks' notice to Preview Networks. If terminated by Jyske Bank, Preview Networks is required to repay the whole of the amount outstanding under the Jyske Facility on or before the expiry of the four week notice period given by Jyske Bank.

As security for the Jyske Facility, Preview Networks granted Jyske Bank a floating charge over its assets (including intellectual property rights) and all receivables deriving from the sale of its products and services in respect of all monies owed by Preview Networks to Jyske Bank under the Jyske Facility and any and all loans and liabilities which Preview Networks owes to Jyske Bank, up to the amount of DKK 3,000,000.

#### **7.4 Related party transactions**

Save as disclosed in paragraphs (A) to (K) below, and as disclosed in Note 25 to the *Historical Financial Information* in Part III.B of this document, there are no “related party transactions” required to be disclosed under the accounting standards applicable to the Group to which the Company or any member of the Group was a party during the financial periods ended 31 March 2012, 31 December 2012, 30 June 2013 and the period 1 July 2013 to 8 November 2013 (being the latest practicable date prior to the publication of this document):

- (A) On 21 March 2012, Rightster, Vesuvius and Charles Muirhead entered into the SSA, and Vesuvius subscribed for Series A Preferred Shares and Series B Preferred Shares pursuant to the terms of the SSA. See paragraph 7.2(B) of this Part VI.
- (B) On 11 July 2012, Rightster, Vesuvius and Charles Muirhead entered into the Vesuvius Subscription Agreement and Vesuvius subscribed for Series B Preferred Shares pursuant to the terms of the Vesuvius Subscription Agreement. See paragraph 7.2(J)(1) of this Part VI.
- (C) On 11 July 2012, Rightster and Vesuvius entered into the First Vesuvius Loan Agreement and the Vesuvius Security Agreement. See paragraph 7.2(J)(4) of this Part VI.
- (D) On 11 October 2013, Rightster, Vesuvius and Charles Muirhead entered into the Second Series B Subscription Agreement and Vesuvius subscribed for Series B Preferred Shares pursuant to the terms of the Second Series B Subscription Agreement. See paragraph 7.2(K)(1) of this Part VI.
- (E) On 11 October 2013, Rightster and Vesuvius entered into the Second Vesuvius Loan Agreement. See paragraph 7.2(K)(2) of this Part VI. On 28 October 2013, Vesuvius and Rightster entered into the Bridge Deed of Priorities. See paragraph 7.2(O) of this Part VI.
- (F) On 28 October 2013, Rightster and Russ DeLeon entered into a Bridge Loan Agreement, a Bridge Security Agreement and the Bridge Deed of Priorities. See paragraph 7.2(N) and paragraph 7.2(O), respectively of this Part VI.
- (G) On 6 November 2013, Rightster entered into the Bridge Loan Novation Agreements with Plum Tree Limited and/or Russ DeLeon (as relevant) which are summarised in paragraph 7.2(N) above.
- (H) On 6 November 2013, Rightster, Plum Tree Limited and Russ DeLeon entered into the On Demand Deed of Novation. See paragraph 7.2(Q) of this Part VI.
- (I) On 11 November 2013, the Company, Cenkos and Vesuvius entered into the Relationship Agreement. See paragraph 7.1(H) of this Part VI.
- (J) On 11 November 2013, the Company and Cenkos entered into lock-in deeds and orderly market deeds with, amongst others, the Directors and Vesuvius. See paragraphs 6.3 and 6.4 of this Part VI.
- (K) On 11 November 2013, the Company, Rightster, Vesuvius and Charles Muirhead entered into the Share Exchange Agreement and the Deed of Novation and Termination. See paragraph 7.1 (I) of this Part VI.

#### **8. Fixed assets**

Save as disclosed in paragraph 17 of Part III.B of this document, there are no material encumbrances on any member of the Group or their property, plant or equipment.

So far as the Directors are aware there are no pending or likely remediation or compliance costs which may have a material adverse effect on the Group or its property, plant or equipment.

So far as the Directors are aware, there are no environmental issues that may affect the Group's utilisation of the tangible fixed assets.



The funds required to fulfil the Company's commitments under its leases of the premises detailed above are provided from the Group's operating income.

## **9. Litigation and other proceedings**

No member of the Group is, or has been, within the 12 months preceding the date of this document involved in any governmental, legal or arbitration proceedings which may have, or have had within the previous 12 months, a significant effect on the Group's financial position or profitability nor, as far as the Directors are aware, are any such proceedings pending or threatened by or against any member of the Group.

## **10. Use of Proceeds**

The estimated net amount of the Placing proceeds receivable by the Company (being approximately £18.4 million) broken into each principal intended use and presented by order of priority of such uses is as follows (in approximate figures):

- £10.2 million which will be used for operating expenditure associated with the expansion of the network and sales and marketing;
- £6.0 million which will be used for research and development;
- £340,005 which will be used to satisfy the outstanding consideration for the acquisition of the assets of T5M and Creative as disclosed in paragraphs 7.2(G) and 7.2(H) of this Part VI;
- £722,615 which will be used to repay part of the outstanding Investor Notes (described in paragraph 7.2(D) of this Part VI) issued in connection with the acquisition of Preview Networks;
- £600,637 which will be used to repay part of the Plum Tree On Demand Loans (as described in paragraph 7.2(Q) of this Part VI); and
- £558,734 will be repaid to one of the Bridge Lenders in accordance with the terms of that Bridge Lender's Bridge Loan Agreement (described in paragraph 7.2(N) of this Part VI). The other Bridge Lenders (including Plum Tree Limited which has become a Bridge Lender) have subscribed for Ordinary Shares in the capital of the Company (conditional on Admission) at the Placing Price (as described in paragraph 7.1(J) of this Part VI) and have directed that the proceeds of the repayment of their respective Bridge Loan Agreements plus accrued interest and arrangement fees (£4,914,658 in aggregate) be paid to the Company to satisfy the payment of subscription monies in respect of such Ordinary Shares.

## **11. Working Capital**

The Directors are of the opinion, having made due and careful enquiry, that, taking into account the net proceeds of the Placing receivable by the Company and the Group's existing cash resources, the working capital available to the Group will be sufficient for its present requirements, that is, for at least 12 months from the date of Admission.

## **12. Significant changes**

Save as described in this document and in respect of expenditure incurred in the ordinary course of its business, there has been no significant change in the financial or trading position of the Group since 30 June 2013, being the end of the last financial period included in the Rightster Limited Group historical financial information, as set out in Part III.B of this document.

## **13. Consents**

**13.1** Cenkos Securities plc, of 6.7.8 Tokenhouse Yard, London EC2R 7AS, which is regulated by the FCA, has given and not withdrawn its consent to the issue of this document with the inclusion of its name and references to it in the form and context in which they appear.

**13.2** Grant Thornton UK LLP has given and not withdrawn its written consent to the inclusion in this document of their accountant's report in Part III.A of this document and the references to such accountant's report in the form and context in which they appear. Grant Thornton UK LLP's responsibility for its accountant's report appearing in Part III.A of this document is as set out in that accountant's report.

**13.3** None of the persons referred to in paragraphs 13.1 or 13.2 of this Part VI, has any interest in the Company which is or may be material other than in respect of their professional fees.

#### **14. General**

**14.1** The financial information set out in Part III.B and otherwise in this document does not constitute statutory accounts within the meaning of Section 434(3) of the Companies Act.

**14.2** The historical financial information of the Rightster Limited Group set out in Part III.B of this document contains financial information derived from Rightster Limited's consolidated statutory financial statements for (i) the periods from incorporation to 31 March 2012 and (ii) for the nine month period ended 31 December 2012. These Rightster Limited statutory financial statements have been audited by Ernst & Young LLP for the period ended 31 December 2012 and by Rawlinson & Hunter for the period ended 31 March 2012.

**14.3** No shares are being made available to the public in conjunction with the Placing.

**14.4** The Placing Price of 60p per Ordinary Share represents a premium of 59.9p per share over the nominal value of 0.1p per Ordinary Share.

**14.5** The Ordinary Shares will be in registered form and will be capable of being held in both certificated and uncertificated form. They are denominated in sterling. The ISIN number for the Ordinary Shares is GB003F8HJ774 and the Sedol number is BF8HJ77.

**14.6** The total expenses (excluding value added tax where appropriate) payable by the Company on Admission in connection with the Placing are estimated to amount to approximately £2.0 million. The net proceeds of the Placing receivable by the Company are estimated to be £18.4 million.

**14.7** Save as disclosed in this document, no persons (excluding Directors and professional advisers) have received, directly or indirectly, from the Company or entered into contractual arrangements to receive, directly or indirectly, from the Company on or after Admission:

- (a) fees totalling £10,000 or more;
- (b) securities in the Company with a value of £10,000 or more calculated by reference to the Placing Price; or
- (c) any other benefit with a value of £10,000 or more at the date of Admission.

**14.8** Save as disclosed in this document, the Directors believe that there are no patents, other intellectual property rights, licences or particular contracts which are of fundamental importance to the Company's business.

**14.9** Neither the existing Ordinary Shares nor the Placing Shares have been admitted to trading on any investment exchange and save in relation to the application for Admission, no application for such admission has been made.

**14.10** There have been no public takeover bids by third parties in respect of the shares of the Company at any time.

11 November 2013



