**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document or as to the action you should take, you are recommended to seek your own personal financial advice immediately from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000 (as amended), who specialises in advising on the acquisition of shares and other securities.**

This document, which comprises an AIM admission document drawn up in accordance with the AIM Rules for Companies, has been issued in connection with the application for admission to trading of the entire issued and to be issued ordinary share capital of the Company to trading on AIM, a market operated by the London Stock Exchange ("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 the FSMA, the Act or otherwise. Accordingly, this document does not comprise a prospectus within the meaning of section 85 of the FSMA and has not been drawn up in accordance with the Prospectus Rules or approved by or filed with the Financial Services Authority or any other competent authority.

**Application will be made for the Enlarged Share Capital to be admitted to trading on AIM. 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. 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. Each AIM company is required pursuant to the AIM Rules for Companies 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. The London Stock Exchange has not itself examined or approved the contents of this document.**

The Directors, whose names appear on page 10 of this document, and the Company accept individual and collective responsibility 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.

**The whole of this document should be read. Zattikka is a newly-incorporated company with a limited trading record and an investment in Zattikka is speculative. The attention of prospective investors is drawn in particular to the risk factors set out in Part 2 of this document.**

# ZATTIKKA PLC

*(Incorporated and registered in England and Wales under the Companies Act 2006 with registered number 07850423)*

## ADMISSION TO TRADING ON AIM

## Placing of up to 12,637,433 Ordinary Shares at 100p per share

**Canaccord Genuity Limited**
***Nominated adviser and Broker***

## SHARE CAPITAL

*(immediately following Admission, the Acquisitions and the Placing and assuming the Placing is fully subscribed)*

| | *Issued and fully paid* | |
|---|---|---|
| *Class* | *Number* | *£* |
| Ordinary Shares of 10 pence each | 21,968,710 | 2,196,871 |
| Deferred Shares of 10 pence each | 450,000 | 45,000 |

The Placing Shares yet to be issued, the Acquisition Shares and the Offer Shares will rank *pari passu* in all respects with the Existing Ordinary Shares and will rank in full for all dividends or other distributions declared, made or paid on the Ordinary Shares after Admission. It is expected that Admission will take place and that trading in the Ordinary Shares will commence on 16 April 2012.

**This document does not constitute an offer of, or the solicitation of an offer to subscribe for or buy, Ordinary Shares to any person in any jurisdiction to whom it is unlawful to make such offer or solicitation.** In particular, this document is not for distribution in or into or from the United States of America, Canada, Japan, the Republic of Ireland, the Republic of South Africa or Australia. Accordingly, the Ordinary Shares may not, subject to certain exceptions, be offered or sold, directly or indirectly, in or into or from the United States of America, Canada, Japan, the Republic of Ireland, the Republic of South Africa or Australia. The Ordinary Shares have not been and will not be registered under the United States Securities Act of 1933 (as amended).

The distribution of this document in certain jurisdictions may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any such restriction. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

Canaccord Genuity Limited, which is authorised and regulated in the United Kingdom by the Financial Services Authority, is acting as nominated adviser and broker to the Company in connection with the proposed Placing and Admission and will not be acting for any other person or otherwise be responsible to any person for providing the protections afforded to customers of Canaccord Genuity Limited or for advising any other person in respect of the proposed Placing and Admission. Canaccord Genuity Limited's responsibilities as the Company's nominated adviser and broker under the AIM Rules for Companies and the AIM Rules for Nominated Advisers are owed solely to London Stock Exchange and are not owed to the Company or to any Director or to any other person in respect of such person's decision to acquire shares in the Company in reliance on any part of this document. No representation or warranty, express or implied, is made by Canaccord Genuity Limited as to any of the contents of this document (without limiting the statutory rights of any person to whom this document is issued).

Canaccord Genuity Limited has not authorised the contents of any part of this document and neither accepts any liability whatsoever for the accuracy of any information or opinions contained in this document or for the omission of any material information from this document for which the Company and the Directors are solely responsible.

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 market) and accordingly no duty of care is accepted in relation to them.

A copy of this document is available from the Company's website – http://www.zattikka.com

# CONTENTS

## FORWARD-LOOKING STATEMENTS

This document includes statements that are, or may be deemed to be, "forward-looking statements". These statements relate to, among other things, analyses and other information that are based on forecasts of future results and estimates of amounts not yet determinable. These statements also relate to the Enlarged Group's future prospects, developments and business strategies.

These forward-looking statements can be identified by their use of terms and phrases such as "anticipate", "believe", "could", "estimate", "expect", "intend", "may", "plan", "predict", "project", "will" or the negative of those variations, or comparable expressions, including references to assumptions. These statements are primarily contained in Parts 1 and 2 of this document.

The forward-looking statements in this document, including statements concerning projections of the Enlarged Group's future results, operations, profits and earnings, are based on current expectations and are subject to risks and uncertainties that could cause actual results to differ materially from those expressed or implied by those statements.

Certain risks to and uncertainties for the Enlarged Group are specifically described in Part 2 of this document headed "Risk Factors". If one or more of these risks or uncertainties materialises, or if underlying assumptions prove incorrect, the Enlarged Group's actual results may vary materially from those expected, estimated or projected. Given these risks and uncertainties, potential investors should not place any reliance on forward looking statements.

Forward-looking statements may and often do differ materially from actual results. Any forward-looking statements in this document are based on certain factors and assumptions, including the Directors' current view with respect to future events and are subject to risks relating to future events and other risks, uncertainties and assumptions relating to the Enlarged Group's operations, results of operations, growth strategy and liquidity. Whilst the Directors consider these assumptions to be reasonable based upon information currently available, they may prove to be incorrect. Prospective investors should therefore specifically consider the risk factors contained in Part 2 of this document that could cause actual results to differ before making an investment decision. Save as required by law or by the AIM Rules for Companies, the Company undertakes no obligation to publicly release the results of any revisions to any forward-looking statements in this document that may occur due to any change in the Directors' expectations or to reflect events or circumstances after the date of this document.

## MARKET AND FINANCIAL INFORMATION

The data, statistics and information and other statements in this document regarding the markets in which the Enlarged Group operates, or the Enlarged Group's position therein, are based on the Enlarged Group's records or are taken or derived from statistical data and information derived from the sources described in this document.

In relation to these sources, such information has been accurately reproduced from the published information, and, so far as the Directors are aware and are able to ascertain from the information provided by the suppliers of these sources, no facts have been omitted which would render such information inaccurate or misleading.

Various figures and percentages in tables in this document have been rounded and accordingly may not total. Certain financial data has also been rounded. As a result of this rounding, the totals of data presented in this document may vary slightly from the actual arithmetical totals of such data.

All times referred to in this document are, unless otherwise stated, references to London time.

# CURRENCY PRESENTATION AND PLACING PROCEEDS

The US dollar amounts referred to in this document (insofar as they relate to monies raised pursuant to the Placing) have been translated from pounds sterling using the following exchange rate £1.00:US$1.5853 (being the Bloomberg closing mid rate in London on 10 April 2012, the latest practicable date prior to publication of this document). The Placing Shares will be settled in pounds sterling. Certain of the costs and expenses of the Placing and Acquisitions referred to in this document are payable, and will be settled, in dollars by the Company. The actual exchange rate in effect at the date(s) of Admission, and settlement where later, may differ from the exchange rate prevailing at the date of this document. As a result, the total proceeds and net proceeds (after conversion) receivable by the Company may differ from the amounts anticipated in this document.

# DEFINITIONS

The following definitions apply in this document, unless the context otherwise requires:

| | |
|---|---|
| "Act" | the Companies Act 2006 (as amended) |
| "Acquired Business" | a company or business which the Company acquires pursuant to its strategy as described in Part 1 of this document |
| "Acquisitions" | the E5 Acquisition, the Hattrick Acquisition, the Concept Art House Acquisition and the Sneaky Games Acquisition and "Acquisition" shall mean any one of them |
| "Acquisition Agreements" | each of the Hattrick Acquisition Agreement, the Share Exchange Agreement, the Concept Art House Acquisition Agreement and the Sneaky Games Acquisition Agreement |
| "Acquisition Shares" | means the 8,932,292 Ordinary Shares in aggregate to be issued as initial and/or partial consideration on completion of each of the Acquisitions |
| "Admission" | the admission of the Enlarged Share Capital to trading on AIM becoming effective in accordance with Rule 6 of the AIM Rules |
| "AIM" | AIM, a market operated by the London Stock Exchange |
| "AIM Rules for Companies" | the AIM Rules for Companies published by the London Stock Exchange from time to time |
| "AIM Rules for Nominated Advisers" | the AIM Rules for Nominated Advisers published by the London Stock Exchange from time to time |
| "Articles" | the articles of association of the Company |
| "Board" or "Directors" | the directors and proposed directors of the Company, whose names are set out on page 10 of this document |
| "Bond Capital" | Bond Capital Partners (UK) Limited |
| "Canaccord" | Canaccord Genuity Limited |
| "Company" or "Zattikka" | Zattikka plc |
| "Concept Art House" | Concept Art House, Inc., a company incorporated in Delaware with company number 4765860 |
| "Concept Art House Acquisition" | the acquisition of Concept Art House by the Company to be effected by way of a merger under Delaware law of Zattikka Merger Subsidiary I with and into Concept Art House pursuant to the Concept Art House Acquisition Agreement, details of which are disclosed in paragraph 4 of Part 1 and paragraph 11.1(f) of Part 10 of this document |
| "Concept Art House Acquisition Agreement" | the conditional agreement and plan of merger dated 11 April 2012 between the Company, Zattikka Merger Subsidiary I, Concept Art House and the holders of shares in Concept Art House |
| "Concept Art House Group" | Concept Art House and its subsidiaries |

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| "Concept Art House Loan Notes" | means the loan notes to be issued as partial consideration on completion of the Concept Art House Acquisition, details of which are disclosed in paragraph 11.1(g) of Part 10 of this document |
| "CREST" | the relevant system (as defined in the Regulations) in respect of which Euroclear is the Operator (as defined in the Regulations) |
| "Deferred Shares" | the deferred shares of £0.10 each in the capital of the Company, more particularly described in paragraph 3.6 of Part 10 of this document |
| "Directors' Subscription Shares" | the 1,263,744 Placing Shares (which includes the Existing Ordinary Shares) to be subscribed for in aggregate by each of Harald Ludwig, Mark Opzoomer, Greg Bestick and Tim Chaney and/or persons connected to them |
| "Disclosure and Transparency Rules" | the Disclosure and Transparency Rules made by the Financial Services Authority pursuant to section 73A of the FSMA |
| "E5" | Expedite 5, Inc., a company incorporated in Delaware with company number 4430621 |
| "E5 Acquisition" | the acquisition of E5 by the Company pursuant to the Share Exchange Agreement, details of which are disclosed in paragraph 11(c) of Part 10 of this document |
| "E5 Group" | E5 and its subsidiaries |
| "Euroclear" | Euroclear UK & Ireland Limited |
| "Enlarged Group" | the Company and its subsidiaries, following completion of the Acquisitions |
| "Enlarged Share Capital" | together, the Acquisition Shares, the Offer Shares and the Placing Shares (assuming the Placing is fully subscribed) |
| "Executive Directors" | each of Harald Ludwig, Mark Opzoomer, Tim Chaney and Rob Gorle |
| "Existing Ordinary Shares" | the 50,000 existing Ordinary Shares in issue as at the date of publication of this document |
| "Financial Services Authority" or "FSA" | the Financial Services Authority |
| "FSMA" | the Financial Services and Markets Act 2000 (as amended) |
| "Future Acquisition" | the acquisition of an Acquired Business |
| "Hattrick" | Hattrick Holdings Limited, a company incorporated in Gibraltar with company number 105154 |
| "Hattrick Acquisition" | the acquisition of Hattrick by the Company pursuant to the Hattrick Acquisition Agreement, details of which are disclosed in paragraph 4 of Part 1 and paragraph 11.1(d) of Part 10 of this document |
| "Hattrick Acquisition Agreement" | the conditional sale and purchase agreement dated 11 April 2012 between the Company, the holders of shares in Hattrick and the Hattrick founders |
| "Hattrick Group" | Hattrick and its subsidiaries at the date of this document |

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|---|---|
| "Hattrick Loan Notes" | means the loan notes to be issued as partial consideration on completion of the Hattrick Acquisition, details of which are disclosed in paragraph 11.1(e) of Part 10 of this document |
| "HL" | Hattrick Limited, a company incorporated in Gibraltar with company number 89526 |
| "HMRC" | Her Majesty's Revenue and Customs |
| "London Stock Exchange" or "LSE" | London Stock Exchange plc |
| "Long-Term Incentive Plan" or "LTIP" | the Zattikka plc Long-Term Incentive Plan, further details of which are set out in paragraph 12 of Part 1 and paragraph 9 of Part 10 of this document |
| "Offer Shares" | the 398,985 Ordinary Shares to be held by the Directors as at Admission, as set out in paragraph 14 of Part 1 of this document (other than any Existing Ordinary Shares and any Acquisition Shares to be issued to the Directors) |
| "Official List" | the Official List of the UK Listing Authority |
| "Ordinary Shares" | the ordinary shares of £0.10 each in the capital of the Company |
| "Placing" | the conditional placing of the Placing Shares by Canaccord as agents for and on behalf of the Company, at the Placing Price pursuant to the Placing Agreement |
| "Placing Agreement" | the conditional agreement dated 11 April 2012 between (1) the Company, (2) Canaccord and (3) the Directors relating to the Placing, further details of which are set out in paragraph 11.1(a) of Part 10 of this document |
| "Placing Price" | 100 pence per Placing Share |
| "Placing Proceeds" | the amount equal to the product of the Placing Price and the number of Placing Shares issued pursuant to the Placing |
| "Placing Shares" | up to 12,637,433 new Ordinary Shares which are the subject of the Placing (which includes the Existing Ordinary Shares) |
| "Pre-IPO Awards" | the grant of options over Ordinary Shares to certain Directors and senior management pursuant to the LTIP |
| "PRC" | the People's Republic of China |
| "Prospectus Rules" | the prospectus rules made by the Financial Services Authority pursuant to section 73A of the FSMA |
| "Regulations" | the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755) (as amended) and such other regulations as are applicable to Euroclear and/or the Euroclear service and from time to time in force |
| "Share Exchange Agreement" | the conditional share exchange agreement entered into by the Company, E5 and the holders of shares in E5 in relation to the acquisition of approximately 64 per cent. of the issued share capital of E5 by the Company |
| "Shareholder" | a holder of Ordinary Shares |
| "Sneaky Games" | Sneaky Games, Inc., a company incorporated in Texas with company number 801201960 |

| | |
|---|---|
| "Sneaky Games Acquisition" | the acquisition of Sneaky Games by the Company to be effected by a merger under Texas law of Zattikka Merger Subsidiary II with and into Sneaky Games pursuant to the Sneaky Games Acquisition Agreement, details of which are disclosed in paragraph 4 of Part 1 and paragraph 11.1(h) of Part 10 of this document |
| "Sneaky Games Acquisition Agreement" | the conditional agreement and plan of merger dated 11 April 2012 between the Company, Zattikka Merger Subsidiary II, Sneaky Games and the holders of shares in Sneaky Games |
| "Sneaky Games Loan Note" | means the loan notes to be issued as a partial consideration on completion of the Sneaky Games Acquisition, details of which are disclosed in paragraph 11.1(i) of Part 10 of this document |
| "subsidiary" | as defined in section 1159 of the Act |
| "Takeover Code" or "City Code" | the City Code on Takeovers and Mergers |
| "UK" or "United Kingdom" | the United Kingdom of Great Britain and Northern Ireland |
| "UK Corporate Governance Code" | the code on corporate governance published by the Financial Reporting Council from time to time |
| "UK Listing Authority" | the Financial Services Authority acting in its capacity as the competent authority for the purposes of section 72 of the FSMA |
| "uncertificated" or "in uncertificated form" | recorded on the register of Ordinary Shares as being held in uncertificated form in CREST entitlement to which, by virtue of the Regulations, may be transferred by means of CREST |
| "US", "USA" or "United States" | the United States of America, each state thereof, its territories and possessions and the District of Columbia and all other areas subject to its jurisdiction |
| "VAT" | UK value added tax |
| "Warrants" | the warrants over Ordinary Shares granted to Bond Capital and Canaccord, details of which are set out in paragraphs 3.23 and 3.24 of Part 10 of this document |
| "Zattikka Merger Subsidiary I" | Zattikka Merger Subsidiary I, Inc., a company incorporated in Delaware with company number 5129366 |
| "Zattikka Merger Subsidiary II" | Zattikka Merger Subsidiary II, Inc., a company incorporated in Texas with company number 801571324 |
| "ZHL" | Zattikka Holdings Limited, a company previously incorporated in the British Virgin Islands with company number 1582913, which was liquidated on 21 November 2011 |
| "ZL" | Zattikka UK Limited, a company incorporated in England and Wales with company number 06382344 |
| "$" and "US$" | the lawful currency for the time being of the United States of America |
| "£" and "pounds" | the lawful currency for the time being of the United Kingdom |
| "€" and "Eur" | the lawful currency for the time being of the members of the European Union who have entered into Economic and Monetary Union |

# TECHNICAL GLOSSARY

| | |
|---|---|
| "app" | application software programme |
| "App Store" | official Apple online store, where users may download apps |
| "API" | application programme interface |
| "ARPU" | average revenue per user |
| "DARPU" | daily active revenue per user |
| "DAU" | daily active users |
| "Freemium" | free to play game, and then pay to customise, engage or enhance the game experience |
| "iOS" | the Apple operating system in the iPhone, iPad and iPod touch |
| "IP" | intellectual property |
| "MMO" | massive multiplayer online |
| "RPG" | role playing games |
| "SNAP" | Social Network Analytics Platform, further details of which can be found at paragraph 3 of Part 1 of this document |
| "mid-core players" | players that prefer strategic games which use player vs player combat mechanics, more typically associated with MMOs and real-time strategy games |
| "virtual goods" | intangible enhancements to game play which can be bought for use in online communities and online gaming |

## PLACING AND ACQUISITION STATISTICS*

| | |
|---|---|
| Placing Price | 100 pence |
| Number of Existing Ordinary Shares in issue at the date of this document | 50,000 |
| Number of Offer Shares | 398,985 |
| Number of Placing Shares (including the Existing Ordinary Shares) | 12,637,433 |
| Number of Acquisition Shares | 8,932,292 |
| Estimated net proceeds of the Placing (net of Placing and Acquisition costs) | £9.5 million |
| Number of Ordinary Shares in issue immediately following the Placing, the Acquisitions and Admission | 21,968,710 |
| Proportion of Offer Shares to Enlarged Share Capital | 1.8 per cent. |
| Proportion of Placing Shares to Enlarged Share Capital | 57.5 per cent. |
| Proportion of Acquisition Shares to Enlarged Share Capital | 40.7 per cent. |
| Market capitalisation of the Company immediately following Admission at the Placing Price | £22.0 million |
| ISIN number | GB00B7YH9F32 |
| SEDOL number | B7YH9F3 |

* Assuming that the Placing is fully subscribed.

## EXPECTED TIMETABLE OF PRINCIPAL EVENTS[1]

| | |
|---|---|
| Publication of this document | 11 April 2012 |
| Admission effective and dealings commence on AIM | 8.00 a.m. on 16 April 2012 |
| Completion of each Acquisition | 16 April 2012 |
| CREST accounts credited by | 8.00 a.m. on 16 April 2012 |
| Despatch of definitive share certificates (where applicable) by | 30 April 2012 |

**Notes:**

1. Each of the times and dates set out above and mentioned elsewhere in this document may be subject to change at the absolute discretion of the Company and Canaccord without further notice.

# DIRECTORS, SECRETARY AND ADVISERS

| | | |
|---|---|---|
| **Directors** | Harald Horst Ludwig (*Chairman*)<br>Mark William Opzoomer (*CEO*)<br>Robert John Tayler Gorle (*CFO*)<br>Tim Michael Chaney (*President*)*<br><br>Anil Hansjee (*non-executive*)*<br>Gregory L. Bestick (*non-executive*)*<br>Andrew Mark Kanter (*non-executive*)*<br>Richard John Adam (*non-executive*)*<br>Matthew Le Merle (*non-executive*)*<br><br>all with an address at the registered office of the Company<br><br>* *with effect from Admission.* | |
| **Company Secretary** | HAL Nominees Limited<br>Hanover House<br>14 Hanover Square<br>London W1S 1HP | |
| **Registered Office** | Hanover House<br>14 Hanover Square<br>London W1S 1HP | |
| **Website** | www.zattikka.com | |
| **Nominated Adviser and Broker** | Canaccord Genuity Limited<br>88 Wood Street<br>London EC2V 7QR | |
| **Reporting Accountant** | BDO LLP<br>2nd Floor, 2 City Place<br>Beehive Ring Road<br>Gatwick RH6 0PA | |
| **Auditors** | Deloitte LLP<br>2 New Street Square<br>London EC4A 3BZ | |
| **Legal advisers to the Company** | Harbottle & Lewis LLP<br>Hanover House<br>14 Hanover Square<br>London W1S 1HP | Mayer Brown LLP<br>350 South Grand Av.<br>Los Angeles<br>California 90071-1503 |
| **Legal advisers to the Broker** | Dorsey & Whitney (Europe) LLP<br>21 Wilson Street<br>London EC2M 2TD | |
| **Remuneration advisers to the Company** | New Bridge Street<br>10 Devonshire Square<br>London EC2M 4YP | |
| **Registrar** | Computershare Investor Services plc<br>The Pavilions<br>Bridgwater Road<br>Bristol BS13 8AE | |

# PART 1

# INFORMATION ON THE ENLARGED GROUP

## 1. Introduction

Zattikka is a newly-incorporated company, focused on developing and publishing interactive games entertainment products across internet connected platforms, through various media channels. These channels include PC web browsers, social networks, mobile devices (including smartphones and tablets), connected consoles, and other emerging platforms including IP TVs and set top boxes. The Company was founded by Harald Ludwig (Chairman), Mark Opzoomer (Chief Executive Officer) and Tim Chaney (President), who, together with their management team, have significant executive experience within the interactive games, internet and mobile industries, as well as licensing based businesses, coupled with experience of senior positions in high profile listed companies.

The Directors believe that there is currently rapid growth and fragmentation of the interactive games entertainment market, which presents a compelling commercial opportunity. The vision for the Company is to become a large scale, diverse games publisher with products operating across growth digital platforms, and with a targeted geographic emphasis in Europe, the US and China. The Company proposes to achieve this by developing Zattikka through strategic acquisitions and accelerating on-going organic growth.

In preparation for Admission, the Share Exchange Agreement (as more particularly described in paragraph 11.1(c) of Part 10 of this document) has been entered into in order to insert the Company as the new holding company of both the E5 Group and the Enlarged Group. For various structuring reasons, completion of the Share Exchange Agreement must occur immediately after completion of the Hattrick Acquisition which is why the Share Exchange Agreement is conditional upon both Admission and completion of the Hattrick Acquisition. The Company currently intends to acquire the shares in E5 that it will not own following completion of the E5 Acquisition after Admission (as more fully described in the risk factor entitled "E5 Acquisition" on page 33).

E5 has developed its own analytics platform (SNAP), which the Directors believe is a key driver for online social and casual gaming. This cloud based service is designed to work across all distribution platforms to collect and analyse user behaviour. This analysis is then used to enhance game play, encouraging longer and more frequent interaction, improve levels of monetisation and guide future product development. It is proposed that SNAP will be integrated across all of the businesses of the Enlarged Group.

On Admission, the Enlarged Group will include the E5 Group which has, since incorporation, adopted a buy and build strategy in terms of IP and skill sets, the Concept Art House Group, Sneaky Games and the Hattrick Group.

## 2. The social and mobile computer games market

***Market background – growth and demographic shifts***

According to IHS Screen Digest, an industry analytics firm in the home entertainment market, the global online games market was worth $15.6 billion in 2010 and is forecast to grow at a 10.6 per cent. compound annual growth rate to $25.8 billion in 2015.

The extension of gaming into new social network channels and mobile platforms has seen a significant shift in how people play and, more importantly, who plays. This shift has led to a rapidly expanding online games market with a broader, more diverse, player base.

***Social Networks as Gaming Platforms***

The advent of social networks, predominantly Facebook, has led to a substantial new gaming platform. Facebook currently claims 845 million users worldwide and 49 per cent. of Facebook sessions are specifically started to play a game. In documentation recently filed by Facebook in connection with its proposed initial public offering, Facebook disclosed that it paid $1.4 billion to third party developers in 2011.

To date, a number of companies have exploited the Facebook platform to distribute their gaming offerings. Zynga, the largest developer by DAU, has produced successful games such as Farmville. As at 9 March 2012, the top 10 ranking games on Facebook range from 9 million DAU to 3.7 million DAU. In 2011, Zynga accounted for 12 per cent. of total Facebook revenue. In March 2012, Zynga announced the launch of a platform for promoting its own and third party games – Zynga.com.

Facebook may be the largest social network, but there are significant alternative social networks in terms of revenue and users in Germany, Russia, Brazil, and Turkey. Research in October 2010 from Super Data Research, a specialist in market intelligence for online gaming, reported that revenue from non-Facebook social network gaming was in fact larger than that of Facebook gaming and is expected to grow from $2.3 billion in 2010 to $5.6 billion by 2014.

***iOS, Android and Other Mobile Devices***

In 2008, Apple opened the App Store, offering iOS device owners the opportunity to pay and download games content directly from Apple, irrespective of their telecom provider. Shortly thereafter, Google launched the Android device format and by 2009, according to Flurry, a mobile analytics company, iOS devices became the leading mobile casual games machine.

Apple announced in December 2011 that it had sold more than 315 million iOS devices worldwide. Since the App Store launched, 25 billion apps have been downloaded by iOS device owners and it has paid more than $4 billion as part of its App Store revenue sharing arrangements with App Store developers.

At the Mobile World Congress in February 2012, Google disclosed some key data regarding the growth in Android devices, stating that there had been more than 300 million device activations since 2008 and there are 850,000 new activations per day. This includes both handset and tablet devices. Recent data from Flurry shows that the first Android tablet device from Amazon.com, the Kindle Fire, had already achieved equal usage with the previous market leader's tablet, the Samsung Galaxy, within one quarter of launch.

In January 2012, Flurry released statistics regarding typical smartphone usage in the USA. This data shows that 49 per cent. of time spent using a smartphone app involves games, significantly higher than the next highest, social networks, which accounted for one third of consumer time.

***Virtual Goods Market***

According to research in 2010 from NPD-In-Stat, a market research company, the worldwide market for virtual goods was worth $7.3 billion in 2010 and is expected to more than double by 2014. The Americas and EMEA regions account for 30 per cent. of all virtual goods sales, with Asia-Pacific accounting for the remaining 70 per cent.

According to the November 2011 Inside Virtual Goods report by Inside Network, the majority of players play social games for free, and only a small percentage of these players will convert to a paying user, typically via a micro-transaction for virtual goods or services, which is known as the Freemium market. The Directors believe that the key to success in this market is, therefore, to engage users such that they regularly return to a game and convert to paying players. The Directors also believe that the degree to which players choose to pay for virtual goods in games is driven by the ability to create content and virtual goods that enhance the game-play experience and that this is one of the key factors to successful monetisation of a social game.

The trend towards virtual goods is also demonstrated in the mobile gaming market. Flurry reported in August 2011 that 65 per cent. of the revenue from the top 100 games in the mobile gaming market was from Freemium games.

***Other Market Trends***

Another trend in online and mobile gaming is the conversion of established games and exploitation of traditional IP onto these social and mobile connected distribution channels. An example of an established game which has successfully transitioned to social networks is Electronic Arts ("EA") "The Sims Social", based on the "The Sims" franchise which, as at 9 March 2012, was the eleventh largest game on Facebook, with 3.5 million DAU.

A further trend in the market is the development of strategic games, such as Kingdoms of Camelot, which are targeted at mid-core players. According to the November 2011 Inside Virtual Goods report, these games tend to have a smaller, albeit more devoted audience, and monetise well. The Directors believe that there is significant market opportunity to create and exploit games that appeal to this mid-core social games market.

***Other Revenue Streams***

The Directors believe that other related revenue opportunities are also developing with major brands using games as another communication and promotion channel. Examples of this are the brand campaigns for McDonald's and Coca-Cola on Farmville and Café World, respectively. According to eMarketer, a digital market intelligence company, advertisers were forecast to spend $192 million in the US during 2011 to advertise their products on or around social games, which represents approximately a 60 per cent. increase when compared with 2010. eMarketer forecasts a further rise of 41 per cent. to $270 million on advertising spend around social games during 2012.

## 3. Technology and analytics

E5 has developed its own cloud based analytics and metrics platform, called "SNAP", capable of reporting on any game, regardless of the platform, and which the Company proposes to implement into each of the games developed by the Enlarged Group. SNAP is a 360 degree, closed loop analytics service that collects granular metrics data from online and mobile games as they are played, aggregating, storing and reporting on that data in real-time before offering that data programmatically to the game itself.

The purpose of this platform is to allow the product development team to analyse the success of each individual feature in the game after it has gone live, and to determine, from the user behaviour, which areas of the game need to be improved to enhance user engagement, retention, virality, and monetisation. Using the SNAP platform, the product development team will have an insight into user behaviour and this will allow the team to focus on adding features which will impact the key success factors in the most direct and effective manner. The Directors believe that SNAP is one of the most important drivers of the Enlarged Group's culture and game development process.

Based on internal testing and simulation and on the assumption that the Company completes each of the Acquisitions, for every ten games the Enlarged Group publishes, it expects to collect in the region of 250 million data events per day, which equates to around 200 GB of raw uncompressed data per day, across the Enlarged Group's game portfolio. The analytics service has been designed to be implemented cost-effectively.

Through its "connector" architecture, SNAP has also been designed to be easily, seamlessly and quickly integrated into all future products across the Enlarged Group. Zattikka has a technology team responsible for the development of the service that has been constructed by integrating a number of open-source technologies and practices, including Hadoop and MongoDB and has been implemented using Amazon Web Services.

SNAP offers comprehensive pre-configured and real-time reports that provide detailed insight into the state of an online game at any point in time. In 2012, SNAP will also offer the Enlarged Group's games a secure but open API that permits games programmatically to "hook in" and gain access to the full set of analytical data. By doing so, games will be able to optimise their behaviour in real-time and target game players with in-game "offers" that are more likely to be taken by the player. This ensures continued improvement in the core underlying metrics of the business: game virality, engagement and optimisation.

The Directors believe that effective use of this service to analyse when, how and where gamers are playing games will be a key factor enabling the Enlarged Group to develop and sustain competitive products.

## 4. Strategy

***Overview***

The focus of the Company will be to acquire, develop and launch Freemium games across social networks and mobile platforms, focused on the mid-core and casual social players. These games will be launched and maintained as a service in the sense that they are live products that will be updated on a regular basis with new content, characters, levels, and upgrades for players to purchase. The Directors believe that data provided by the SNAP platform will be very important to this development process.

Zattikka will seek to acquire existing profitable, but under-exploited, IP game assets and businesses with proven skill sets in monetising social and mobile games which the Directors believe are complementary to the Enlarged Group. These will then be developed through the application of a focused publishing and development strategy, coupled with the Directors' sector knowledge, to create a leading interactive games entertainment group.

It is intended that the Acquisitions will provide Zattikka with products that can then be sold to end-customers in key European, US and Chinese markets, either directly through its own websites, or through third-party digital distribution channels or other new digital platforms. Future Acquisitions are likely to be of varying size and located in Europe, the US and Asia.

The Directors believe that by applying their expertise, experience and relationships in the games and internet markets generally to these Future Acquisitions, significant additional shareholder value can be created. It is envisaged that Future Acquisitions may involve the issue of further equity in Zattikka. The Directors believe that the ability to issue Ordinary Shares will give Zattikka more flexibility in the nature of the consideration it is able offer to vendors, particularly to founders who wish to remain involved.

The Directors confirm that they have reviewed a large number of potential Future Acquisition targets and have already identified a number of appropriate Future Acquisition opportunities for Zattikka. The Directors believe that the existing E5 Group's business, together with Zattikka's initial acquisitions of Hattrick, Concept Art House and Sneaky Games (which are subject to and conditional upon, amongst other things, Admission and described in more detail below), will provide a cash-generative foundation on which the Enlarged Group can build. The Company will be the direct holding company of each of Hattrick, Concept Art House, Sneaky and E5.

***Integration***

The Company has a management team experienced in the interactive games, internet and mobile industries and with experience of senior positions in high profile listed companies to lead the shared functions of the Enlarged Group and to support the growth of Zattikka. The London office's shared functions cover marketing, technology, finance and licensing, with product management led from the San Francisco office. The Directors believe that using these centralised functions for the Acquisitions and Future Acquisitions will reduce the cost expenditure that would have otherwise been incurred by each acquired company in order to build their own operational infrastructure, including areas such as network operations and administration support, and will allow management of product marketing, licensing and development across the Enlarged Group as a whole to drive revenue synergies.

***Hattrick Acquisition***

Hattrick is a private business, incorporated in Gibraltar with a development office in Malmö, Sweden. Hattrick was founded by Johan Gustafsson and Daniel Abrahamsson in 1997 and currently operates the eponymous Hattrick game and Popmundo.

The original product, Hattrick, is a free to play online football manager game where players create their own club, build a team, and compete against hundreds of thousands of other individuals from all over the globe in real time.

In 2004, Hattrick launched its second product, Popmundo, a music industry role playing game. Popmundo is a community based game where the players strive for fame in a virtual music industry and, again, is played in real time.

The combined active user-base of these games in March 2012 was over 860,000, a number that the Directors intend to increase significantly by 2013 through dedicated advertising and offer programmes. The Directors believe approximately 14 per cent. of the active user base are paying subscribers.

The Directors believe the key benefits of acquiring Hattrick include:

- Hattrick is a trusted brand with significant expansion scope;
- its virtual football management game is an engaging product with long-term player retention, high conversion rate and is available in 50 languages, with users in 120 countries; and
- the core IP for the Hattrick game was built as an engine with open API supporting third party app development.

Hattrick is currently beta-testing Hattrick Open, a platform that supports pay to play instant tournaments and in-app purchases. Hattrick Open powers the new Hattrick Tournaments product on the Hattrick site, launched on 13 March 2012 and it is intended to power more casual games in the social network, such as Facebook. With Hattrick Open, players can create mini tournaments with friends or against computer players rather than playing a full sixteen week Hattrick football season.

The Directors believe that the online sports gaming market is currently fragmented. Hattrick will provide the Enlarged Group with an entry into the sports gaming market and the Directors believe that over the longer term this will present the Enlarged Group with an opportunity to build a strong group of online RPG-based sports franchises across a number of team sports such as American football, baseball and cricket. The Directors also believe that there is an opportunity to increase traffic and revenue across the Enlarged Group through cross-promotion with complementary fantasy sports games.

The Company has entered into the Hattrick Acquisition Agreement under which the Company has agreed to pay the vendors an aggregate initial consideration of €15 million on completion, of which €6,600,000 will be paid in cash, approximately €2 million in Ordinary Shares (at the Placing Price) and €6,400,000 in the form of the Hattrick Loan Notes, which are convertible into new Ordinary Shares (at the Placing Price) at any time at the Vendors' sole option. In addition, the Company has agreed to pay an additional deferred consideration of up to €7.5 million in cash, subject to certain performance conditions in 2012 and 2013. Completion of the Hattrick Acquisition is conditional on Admission. Further details of the Hattrick Acquisition Agreement and the Hattrick Loan Notes are set out in paragraphs 11.1(d) and 11.1(e) of Part 10 of this document.

Each of Daniel Abrahamsson and Johan Gustafsson has agreed to enter into a lock-in agreement in respect of the Acquisition Shares which he will receive, as set out in paragraph 11.1(k) of Part 10 of this document.

***Concept Art House Acquisition***

Concept Art House was originally founded in 2005 by James Zhang and Scott Chou and has offices in San Francisco and Shanghai. The Directors view Concept Art House as a leading art and design company. It has its own proprietary art school which is intended to be part funded by the local government in Shanghai and has worked on gaming projects including Command and Conquer, It Girl, Mafia Wars and World of Warcraft. This acquisition brings in an experienced team that has produced art and design for successful Facebook games, such as Nightclub City and Kingdoms of Camelot, and gives access to both Western and Eastern markets with a foothold in the Asian social and mobile gaming market.

Concept Art House has been growing revenue from an increasing amount of work for hire with a growing number of games developers and has been consistently profitable since 2010.

The Directors believe the key benefits of acquiring Concept Art House include:

- acquiring a presence and experience in the Asian market (predominantly China and Japan);
- high quality creative art and design work;
- a revenue share business model that has scale;
- an existing working relationship between Sneaky Games and Concept Art House on games development;
- the opportunity to leverage their creative skills and Chinese operation into the future development of the Hattrick game for the Asian market; and

- Concept Art House already has two iOS games on the App Store, and plans to develop additional product for mobile gaming, with two games already in production (Kung Food Panda and Legacy of 1,000 Suns).

The Company has entered into the Concept Art House Acquisition Agreement under which the Company has agreed to pay the vendors of Concept Art House an aggregate consideration of US$13 million, of which approximately US$6 million will comprise cash and the Concept Art House Loan Notes (split as to US$3.6 million in cash and US$2.4 million in loan notes) and approximately US$7 million in Ordinary Shares (at the Placing Price). Completion of the Concept Art House Acquisition is conditional on Admission, completion of the Hattrick Acquisition Agreement, approval by Concept Art House's shareholders and certain other customary closing conditions. It is intended that the Concept Art House Acquisition will complete immediately after completion of the Hattrick Acquisition. Further details of the Concept Art House Acquisition Agreement and the Concept Art House Loan Notes are set out in paragraphs 11.1(f) and 11.1(g) of Part 10 of this document. In connection with the Concept Art House Acquisition Agreement, James Zhang will enter into a customary non-compete agreement under the terms of his employment with the Company that covers the duration of his employment and potentially certain periods thereafter. In addition, each of James Zhang and Scott Chou of Concept Art House has agreed to enter into a lock-in agreement in respect of the Acquisition Shares he will receive, as set out in paragraph 11.1(k) of Part 10 of this document.

***Sneaky Games Acquisition***

Sneaky Games was founded by David Godwin in Austin, Texas, in 2009. This acquisition brings social game development and direct marketing expertise with relationships in the gaming industry.

The Directors believe that the Sneaky Games team has built an excellent fledgling reputation in the social games space, having developed and launched a portfolio of three games specialising in the mid-core fantasy role playing genre.

As of March 2012, Sneaky Games' three social games have relatively low DAU count although the Directors believe that this reflects the minimal marketing activity to date.

Fantasy Kingdoms is a Freemium game that allows players to build custom magical kingdoms and create a fantasy world of their own. The game was launched into the market in April 2010, and, as at 9 March 2012, had 10,000 DAU.

Vampire Legacy is also a mid-core fantasy role-playing game, allowing players to explore mysterious lands, battle monsters and defeat other players. The game was launched in August 2011, and as at 9 March 2012, had 4,000 DAU, with as yet no active promotion.

Syfy Monster Island is a game commissioned by the Syfy channel (NBCUniversal) and designed around a weekly programming strand. This is Syfy's venture into the Facebook gaming world, and the Directors believe this is a strong endorsement of Sneaky Games by a major media partner. Under the revenue sharing agreement, Syfy is also committed to advertising and promotion of the game, which was launched in beta shortly before Christmas 2011. As at 9 March 2012, the game had 20,000 DAU.

The Directors believe the key benefits of acquiring Sneaky Games are:

- Sneaky Games has already proven successful at monetisation, producing high DARPU games. This is the impact of a well-designed game that engages users into taking increasing numbers of virtual goods;
- product pipeline, with investment in a game engine that continues to evolve, with a further two games already in development for release in 2012-13. This has already been demonstrated with Vampire Legacy being a direct follow-up and built upon the existing game engine of Fantasy Kingdoms;
- the existing relationship with the Syfy channel a strong media partner for potential future games development; and

- the existing working relationship with Concept Art House, on the design of Vampire Legacy. This is a critical working relationship strategy going forward, combining the marketing and monetisation skills of Sneaky Games with the design and game artistry of Concept Art House.

The Company has entered into the Sneaky Games Acquisition Agreement under which the Company has agreed to pay the vendors of Sneaky Games an aggregate initial consideration of US$5.775 million, of which approximately US$2.85 million will comprise cash and the Sneaky Games Loan Notes (split as to US$1.71 million in cash and US$1.14 million in loan notes) and approximately US$2.93 million in Ordinary Shares (at the Placing Price), and deferred consideration, subject to certain conditions, of up to US$325,000 in Ordinary Shares (at the Placing Price) upon Sneaky Games meeting certain EBITDA requirements for fiscal year 2012. Completion of the Sneaky Games Acquisition is conditional on Admission, completion of the Hattrick Acquisition Agreement, approval by Sneaky Games' shareholders and certain other customary closing conditions. Further details of the Sneaky Games Acquisition Agreement and the Sneaky Games Loan Notes are set out in paragraphs 11.1(h) and 11.1(i) of Part 10 of this document. In connection with the Sneaky Games Acquisition Agreement, David Godwin will enter into a customary non-compete agreement under the terms of his employment with the Company that covers the duration of his employment and, subject to certain conditions, further periods thereafter. In addition, David Godwin of Sneaky Games has agreed to enter into a lock-in agreement in respect of the Acquisition Shares he will receive, as set out in paragraph 11.1(k) of Part 10 of this document.

***Future Acquisition Strategy***

Following the Acquisitions, the Company will seek Future Acquisitions of profitable, established, IP and brand assets which the Directors believe are currently under-exploited on social and mobile gaming platforms, with the aim of providing additional underlying EBITDA as a basis for organic growth. This may include making a Future Acquisition of scale and the Company has identified certain potential targets which appear to meet this profile. To the extent that the Placing Proceeds are insufficient to satisfy the consideration payable for any such Future Acquisition, the Company will review its financing options, which may include raising funds by way of equity financing.

## 5. Competition

The Directors believe that the social and mobile segment of the interactive entertainment market is currently fragmented and it will likely experience a level of consolidation in the next few years. There are some examples of this already starting to take place, for example EA's acquisition of Popcap and Playfish and Disney's acquisition of Playdom. The Directors see existing leading games companies such as Zynga, EA, Playdom, Wooga and Kabam as the most significant long-term Western competition to Zattikka. The Directors believe that, as in other areas of the entertainment industry, the social and mobile segment of the interactive entertainment market will segment into multiple genres, each with their own leader, enabling Zattikka to compete effectively.

## 6. Current trading, operational trends and prospects of the Company

The Company is newly-incorporated and, therefore, it is not possible to evaluate the Company's prospects at this stage as these will depend on, amongst other things, the availability of suitable companies and businesses to acquire and the ability successfully to integrate the Acquisitions and make Future Acquisitions.

## 7. Current trading, operational trends and prospects of the E5 Group

The E5 Group has, since incorporation, adopted a buy and build strategy. In August 2009, the E5 Group acquired gimme5games.com and, through this acquisition, obtained a substantial proportion of its existing games portfolio. The Directors believe that the strategy described in paragraph 4 above is the optimum route to further exploit this portfolio and, because the E5 Group has been focused on this strategy since early 2011, there has been limited in-house development of the E5 Group's existing portfolio of games since then.

## 8. Current trading, operational trends and prospects of Hattrick

Following completion of the Hattrick Acquisition, the Hattrick Group will be consolidated within the Enlarged Group for accounting purposes. Unaudited revenue for the Hattrick Group for the three months ended 31 December 2011 was in line with the Directors' expectations and resulted in a small decrease in turnover from the prior financial year, in line with user trends. Unaudited profitability suffered a similar decrease but remained strong. Hattrick has not implemented any subscription price increases since August 2010 and a similar percentage of the total users were subscribing to the Hattrick football game in December 2011 (16.1 per cent.) as was the case in December 2010 (15.7 per cent.).

During the first quarter of 2012, E5 has worked closely with Hattrick to develop and implement new marketing initiatives which have resulted in weekly increases in user numbers since the middle of February. The Directors believe that this supports the significant untapped potential around the Hattrick game and the Directors intend to continue these marketing initiatives to enhance further user growth during 2012.

## 9. Current trading, operational trends and prospects of Concept Art House

Following completion of the Concept Art House Acquisition, the Concept Art House Group will be consolidated within the Enlarged Group for accounting purposes. Concept Art House continues to generate the majority of its revenue from work for hire services and has continued to experience strong demand for these services. Unaudited revenue for the Concept Art House Group for the three months ended 31 December 2011 was in line with the Directors' expectations, and resulted in a significant increase in turnover from the prior financial year. Unaudited profitability similarly continued to grow at a strong rate. The Concept Art House Group has continued to trade in line with the Directors' expectations during January and February 2012.

The Directors expect that growth in demand for Concept Art House's work for hire services will continue, with Concept Art House also receiving further upside from revenue sharing projects. In addition, Concept Art House started the development of a number of mobile application games titles in China, which are expected to launch in 2012. The Directors, therefore, believe that the Concept Art House Group remains well positioned for continued growth in 2012.

## 10. Current trading, operational trends and prospects of Sneaky Games

Following completion of the Sneaky Games Acquisition, Sneaky Games will be consolidated within the Enlarged Group for accounting purposes. Sneaky Games continues to generate the majority of its revenue from the sale of virtual goods and has continued to experience strong demand for its published games. Unaudited revenue for Sneaky Games for the three months ended 31 December 2011 was in line with the Directors' expectations and resulted in a significant increase in turnover from the prior financial year. This enabled Sneaky Games to move to a position of profitability in 2011. The launch of Monster Island in the fourth quarter of 2011 contributed a significant proportion of the revenue recorded in the fourth quarter of 2011. Sneaky Games has continued to trade in line with expectations during January and February 2012.

The Directors anticipate that Sneaky Games will be able to grow as a result of the launch of IP developed during 2011 and its future product pipeline, the application of skills from other Enlarged Group companies including art and design from Concept Art House and corporate support such as cross promotional marketing of titles across the Enlarged Group.

## 11. Board of Directors and senior management

***Board of Directors***

On Admission, the Board will comprise:

**Mr. Harald Ludwig (age 57),** *Executive Chairman*

Mr. Ludwig is a director and former Chairman of Lionsgate Entertainment and a pioneer of leveraged buy-outs in Canada through Macluan Capital Corporation, a leading mid-market private equity house, where he is President. Mr. Ludwig is also a founding partner and Chairman of Bond Capital Partners in the UK, an alternative investment manager focused on growth capital for step change orientated lower mid-market companies, he is on the Advisory Board of Tennenbaum & Company, a Director of West Fraser Timber and on the Board of Governors of the BC Children's Hospital Foundation.

**Mr. Mark Opzoomer, (age 54),** *Chief Executive Officer*

Mr. Opzoomer is co-Founder of Zattikka. Previously Regional Vice President of Yahoo! Europe, interim CEO of Rambler Media Limited, Deputy CEO of Hodder Headline plc (acquired by WHSmith for $300 million) and Commercial Director of Sega Europe and Virgin Communications including Virgin Games, Mr. Opzoomer is a non-executive director of UK-listed E1 Entertainment Limited and blinkx plc and was formerly a director of Autonomy Corp plc. Other relevant directorships currently include Forward Internet Group and previously Web Reservations International and Newbay Software. In addition, he is a founding partner and member of the investment committee of Bond Capital Partners.

**Mr. Tim Chaney, (age 56),** *President*

Mr. Chaney is co-Founder of Zattikka. He was the first employee of 1985 start-up US Gold, which had become Europe's top publisher by 1989, and was the first video games publisher to go public on LSE in 1992. Mr. Chaney was approached by Virgin to run Virgin Games (Virgin Interactive Entertainment) which was built from $1 million revenue in 1991 to $200 million in 3 years with an equal market share to EA and sold to Blockbuster for $250 million. Mr. Chaney led a management buy-out of VIE from Viacom in 1998, merged with Interplay and sold controlling stake of merged Company to Titus in 1999. Mr. Chaney also led a management buy-out of VIE Espana from Titus in 2002 which he developed from a local distributor to an international publisher prior to setting up Zattikka in 2009.

**Mr. Rob Gorle, (age 38),** *Chief Financial Officer*

Mr. Gorle has worked in finance and metrics analysis for 16 years, with 11 years in technology and new media companies after qualifying as a chartered accountant with PricewaterhouseCoopers. Most recently he spent 7 years at Yahoo!, in both Europe and the California headquarters, and prior to that at Mediasurface, the venture capital backed software company (bought by Alterian). Mr. Gorle has a computer science background.

**Mr. Anil Hansjee, (age 44),** *Non-executive Director*

Mr. Hansjee is currently a consultant to EQT Funds as a Senior Internet Industrial Advisor. Previously he was Head of Corporate Development at Google for Europe, Middle East and Africa, based in London from 2006 to 2011. Prior to joining Google, he was a Director at the boutique investment banking firm GP Bullhound and immediately before that he was a Principal with the venture capital firm IDG Ventures, where he was board director of one of their portfolio companies, the mobile music company, Shazam Entertainment. Between mid 2000 and the end of 2001, he was a Vice President for Corporate Finance with Bear Stearns International in London. Between mid 1997 and mid 2000, he was a member of Chase Manhattan Bank's corporate finance group both in New York and London. Mr. Hansjee joined Chase's corporate finance team after spending the first 7 years of his professional career as a software engineer first with UBS then Chase. He has a BSc (Hons.) in Artificial Intelligence & Computer Science from Edinburgh University, Honorary Directorate in Computing from Kingston University and has an MSc in Finance at London Business School.

**Mr. Gregory L. Bestick, (age 60),** *Non-executive Director*

Mr. Bestick is the Chief Operating Officer of the Paradigm Talent Agency. In 2003, he founded Ogden Park Ventures, a technology investment and consulting firm that has worked in Europe, Asia and the US with the toy maker Mattel, Inc. and private equity firms. He has also served as CEO of Broderbund Software, an early innovator in children's educational software (2001-2003), as President of The Learning Company, consumer software company (1999-2001), and as CEO of Creative Wonders, a joint venture between video game maker Electronic Arts and the Walt Disney Corporation (1995-1999). Mr. Bestick is also Chairman of eLanguage, LLC, a worldwide publisher of language learning software, and a member of the Board of Directors of the Help Kenya Project, a not-for-profit educational foundation.

**Mr. Andrew M Kanter, (age 42),** *Non-executive Director*

Mr. Kanter serves as the Chief Operating Officer of the Information Management division of HP, having served as the Chief Operating Officer and General Counsel of Autonomy Corporation plc from 2001 until its acquisition by HP in 2011 for approximately $11 billion. Prior to joining Autonomy, Mr. Kanter was an attorney in private practice in San Francisco and London, primarily engaged in international mergers and acquisitions and corporate finance. Mr. Kanter also served as Clerk to Hon. Christine Miller of the U.S. Court of Federal Claims, Washington, DC. He holds a J.D. from the University of Southern California Law Center and a B.A. from Johns Hopkins University, and also studied at Kansai University of Foreign Studies, Osaka, Japan.

**Mr. Richard Adam, (age 54),** *Non-executive Director*

Mr. Adam has been Group Finance Director of Carillion plc (FTSE 250) since April 2007. He qualified as a chartered accountant with KPMG in 1982 and gained broad experience in a number of public and private company finance director roles from the age of 30. Immediately prior to joining Carillion, Richard was Group Finance Director of Associated British Ports Holdings plc (FTSE 250). He was also a Non-Executive Director and the chairman of the Audit Committee of SSL International plc until its takeover in 2010.

**Mr. Matthew Le Merle (age 50),** *Non-executive Director*

Mr. Le Merle is a partner in Booz & Company's Information Technology, Consumer and Media practice based in San Francisco. He focuses on serving leading multinational companies on issues of strategy, corporate development, marketing and sales, operational improvement, innovation, and leadership. Mr. Le Merle brings more than 25 years of experience as a consultant at McKinsey & Company, AT Kearney, and Monitor Group, including leading the West Coast practices of the latter two firms. He is also a Director of the Bay Area Council, a member of the Academy for Interactive Arts and Sciences, a Fellow of the Royal Geographical Society and was appointed to the Governor of California's China Delegation in 2010 and to the Governor's Life Sciences Council in 2005.

***Hattrick observer rights***

In addition to the Directors, subject to completion of the Hattrick Acquisition, for such time as any Hattrick Loan Notes remain outstanding, L'Etoile Mysterieuse AB shall have the right to appoint an observer to attend Board (and any Board committee) meetings. This observer, who shall not at any time be entitled to vote at any such meeting, will initially be Patrick Clase.

***Senior Management***

Following Admission and completion of each of the Acquisitions, the following persons are considered by the Board to be members of the Enlarged Group's senior management.

**Mr. Paul Schulz (age 44),** *Chief Technology Officer*

Mr. Schulz has 22 years technical software development experience, 16 years of which were in the field of mobile and online technologies, including 10 years in CTO roles. He spent almost 3 years at Nokia R&D and nearly 5 years at Yahoo! as Head of Mobile Technology. Mr. Schulz also holds several game patents and created the open source Open Video Ads serving software no run by LongTailVideo.

**Mr. Dave Mutton (age 47),** *Chief Marketing Officer*

Mr. Mutton has 16 years of experience in the technology and new media industries. Recently Marketing Director at StepStone Europe, he has also held the positions of Head of Commerce for Yahoo! Europe and Head of Business Development at Amazon.co.uk.

**Mr. James Zhang (age 35),** *Chief Product Officer*

Mr. Zhang is the founder and CEO of Concept Art House, with over 12 years of industry experience. he brings a unique understanding of the entertainment media industry as both a creative visionary and as a studio executive. Mr. Zhang has grown CAH from a small boutique art studio to a leading international creative services business in just over 3 years. Revenues have grown significantly each year, driven by premier clients in the gaming industry, including Activision, Blizzard, DeNA, Disney, EA, Hasbro, Sony, and Zynga. Prior to founding the company, he was a studio Vice President, art director, and a conceptual designer with LucasArts Entertainment.

**Mr. David Godwin (age 40),** *Chief Revenue Officer*

Mr. Godwin is an entrepreneur and executive that has held leadership positions in various gaming, mobile and marketing companies. In the late nineties, he was part of Harte-Hanks, a global direct marketing firm, as part of the leadership team in their online and international expansions. In 2001, he founded Net-Recon, a game and web application development company. In late 2009, Sneaky Games was spun out of the gaming side, as a leading social games studio. Sneaky Games has over 4 million registered players on its first Facebook game, Fantasy Kingdoms.

**Mr. Johan Gustafsson (age 39),** *Chief Executive Officer, Hattrick*

Mr. Gustafsson is co-Founder of Hattrick and Creative Director of Spelkultur i Malmö AB. He received a BA in Journalism from the University of Gothenburg, 1995. Five years as technology and business writer in Sweden. He was the first CEO of Hattrick Limited, owner and responsible for the commercial development of the site as it grew from 1,700 users in one league to over 700,000 users in 124 leagues. Mr. Gustafsson is an experienced senior executive with excellent community management and game design expertise.

## 12. Executive Director and senior management incentive arrangements

The Company has adopted the LTIP. Under the terms of the LTIP, the Company may not issue (or grant rights to issue) Ordinary Shares representing more than 15 per cent. of the issued ordinary share capital of the Company from time to time under the LTIP and any other employee share plan adopted by the Company.

The Company has approved the grant of certain awards under the LTIP on or shortly following Admission in recognition of the services provided by certain Directors and employees of the E5 Group to date (the "Pre-IPO Awards"). In particular, the Company was keen to recognise the steps taken during the course of the last 12 months to develop the Company's and E5's strategy and technology and to identify appropriate acquisition targets. Messrs. Chaney, Ludwig, Opzoomer and Gorle will be included in the grant of Pre-IPO Awards in light of the fact that they have drawn minimal salaries and/or other remuneration and benefits from E5 since December 2010. It is anticipated that the Pre-IPO Awards will be granted over approximately 3 per cent. of the Company's Enlarged Share Capital (and, for the avoidance of doubt, the Pre-IPO Awards will count towards the overall 15 per cent. dilution limit referred to above). 50 per cent. of each Pre-IPO Award will vest on grant with a further 25 per cent. of each Pre-IPO Award ordinarily vesting on each of the first and second anniversaries of Admission. Other awards granted under the LTIP will ordinarily vest in equal proportions over a four-year period following grant.

## 13. Reasons for the Placing and use of proceeds

The purpose of the Placing is to raise funds to be used by the Company to complete the Acquisitions and to fund the working capital requirements of the Enlarged Group. It is anticipated that Admission will raise the Company's profile, provide it with access to the capital markets, aid liquidity of the Ordinary Shares and diversify the Company's shareholder base.

The Directors believe that the quotation on AIM will give the Company a higher profile and better access to capital than if it were an unquoted company. In particular, the Directors intend to use new Ordinary Shares as part or all of the consideration for Future Acquisitions and believe that the liquidity of the Ordinary Shares that will result from the quotation on AIM will enhance the acceptability of the Ordinary Shares as consideration.

## 14. Interests of the Directors and lock-in and orderly market arrangements

Immediately following the Placing, the Acquisitions and Admission, the beneficial interests of the Directors in the share capital of the Company will be as follows:

| *Director* | *Number of Ordinary Shares* | *Percentage of issued Enlarged Share Capital* |
|---|---|---|
| Harald Ludwig | 461,794[1] | 2.1% |
| Mark Opzoomer | 433,485[2] | 2.0% |
| Tim Chaney | 230,732[3] | 1.1% |
| Rob Gorle | 70,600[4] | 0.3% |
| Anil Hansjee | 18,321[7] | 0.1% |
| Gregory Bestick | 110,578[6] | 0.5% |
| Andrew Kanter | 15,797[5] | 0.1% |
| Richard Adam | 15,797[5] | 0.1% |
| Matthew Le Merle | 829,648[8] | 3.8% |
| **Total** | 2,186,752 | 10.0% |

1 190,639 of these Ordinary Shares were acquired as Acquisition Shares in respect of the E5 Acquisition; 221,155 of these Ordinary Shares were acquired as part of the Placing; and 50,000 of these Ordinary Shares were acquired as a Pre-IPO Award.

2 137,330 of these Ordinary Shares were acquired as Acquisition Shares in respect of the E5 Acquisition; 171,155 of these Ordinary Shares were acquired as part of the Placing; 75,000 of these Ordinary Shares were acquired as a Pre-IPO Award; and the 50,000 Existing Ordinary Shares are (and were prior to Admission) held by TD Wealth Institutional (UK) Nominees Limited on behalf of a personal pension fund in which Mark Opzoomer is a beneficiary. In addition, TD Wealth Institutional (UK) Nominees Limited holds 450,000 Deferred Shares.

3 174,138 of these Ordinary Shares were acquired as Acquisition Shares in respect of the E5 Acquisition; 31,594 of these Ordinary Shares were acquired as part of the Placing; and 25,000 of these Ordinary Shares were acquired as a Pre-IPO Award.

4. 20,600 of these Ordinary Shares were acquired as Acquisition Shares in respect of the E5 Acquisition; and 50,000 of these Ordinary Shares were acquired as a Pre-IPO Award.

5. These Ordinary Shares were acquired as an incentive award.

6. 15,797 of these Ordinary Shares were acquired as an incentive award and 94,781 of these Ordinary Shares were acquired as part of the Placing.

7 2,524 of these Ordinary Shares were acquired as Acquisition Shares in respect of the E5 Acquisition; and 15,797 of these Ordinary Shares were acquired as an incentive award.

8. 813,851 of these Ordinary Shares were acquired as Acquisition Shares in respect of the Concept Art House Acquisition; and 15,797 of these Ordinary Shares were acquired as an incentive award.

Mark Opzoomer is interested in 109,844 Ordinary Shares (representing 0.5 per cent. of the Enlarged Share Capital) in respect of which the Bond Capital Warrants are granted due to his shareholding in Bond Capital.

The Directors, who together will hold an aggregate of 10.0 per cent. of the Enlarged Share Capital (assuming the Placing is subscribed for in full) have undertaken, subject to certain exceptions, not to dispose of their Ordinary Shares (or any interest therein) for a period of one year from the date of Admission. Those Directors have also undertaken to observe certain orderly market restrictions with respect to the disposal of such Ordinary Shares (subject to certain exceptions) for so long as Canaccord remains nominated adviser and/or broker to the Company. Further details of these lock-in arrangements are set out in paragraph 11.1(j) of Part 10 of this document.

Each of James Zhang, Scott Chou, David Godwin, Daniel Abrahamsson and Johan Gustafsson, each of whom are receiving Acquisition Shares upon completion of the Acquisitions, who together will hold an aggregate of approximately 16.7 per cent. of the Enlarged Share Capital (assuming the Placing is subscribed for in full) have undertaken, subject to certain exceptions, not to dispose of their Ordinary Shares (or any interest therein) for a period of one year from the date of Admission. These shareholders have also undertaken to observe certain orderly market restrictions with respect to the disposal of such Ordinary Shares (subject to certain exceptions) for a period of 2 years following Admission. Further details of these lock-in arrangements are set out in paragraph 11.1(k) of Part 10 of this document.

## 15. Dividend policy

The declaration and payment by the Company of any future dividends on the Ordinary Shares and the amount paid will depend on the results of the Enlarged Group's operations, its financial condition, cash requirements, future prospects, profits available for distribution and other factors deemed to be relevant at the time. However, given the Company's early stage of development, the Directors do not envisage that the Company will pay dividends in the foreseeable future and intend to re-invest surplus funds in the development of the Enlarged Group's business. The Board will regularly review the appropriateness of its dividend policy.

## 16. Corporate governance

The Directors recognise the value and importance of high standards of corporate governance and intend to observe the requirements of the UK Corporate Governance Code to the extent they consider appropriate in light of the Company's size, stage of development and resources. The Company also proposes to follow the recommendations on corporate governance of the Quoted Companies Alliance for companies with shares traded on AIM.

On Admission, the Directors intend to establish an audit committee and a remuneration committee with formally delegated duties and responsibilities. The audit committee will determine the terms of engagement of the Company's auditors and will determine, in consultation with the Company's auditors, the scope of the audit. It will receive and review reports from management and the Company's auditors relating to the interim and annual accounts and the accounting and internal control systems in use by the Company. The audit committee will have unrestricted access to the Company's auditors. Richard Adam will be the Chairman of the audit committee and the other members will be Andrew Kanter and Anil Hansjee.

The remuneration committee will review the scale and structure of the Executive Directors' future remuneration and the terms of their service agreements with due regard to the interests of shareholders. No Director will be permitted to participate in discussions or decisions concerning his own remuneration. Greg Bestick will be the Chairman of the remuneration committee and the other members will be Harald Ludwig and Richard Adam.

The Directors intend to comply, and procure compliance, with Rule 21 of the AIM Rules relating to dealings by directors and other applicable employees in the Company's securities and, to this end, the Company has adopted an appropriate share dealing code.

## 17. Taxation

Further information on United Kingdom taxation with regard to the Placing is set out in the paragraph 10 of Part 10 of this document. All information in relation to taxation in this document is intended only as a general guide to the current United Kingdom tax position. If you are in any doubt as to your own tax position, or are subject to tax in a jurisdiction other than the United Kingdom, you should consult your own independent professional adviser immediately.

## 18. The Placing

Under the Placing Agreement (further details of which are set out in paragraph 11.1(a) of Part 10 of this document), Canaccord has conditionally agreed, as agent for the Company, to use reasonable endeavours to procure placees for the Placing Shares (other than the Directors' Subscription Shares) at the Placing Price.

The Company is proposing to raise approximately £12.6 million before expenses, of which approximately £9.5 million net of expenses will be receivable by the Company by way of a placing of up to 12,637,433 Placing Shares at a Placing Price of 100 pence by Canaccord to institutional and other investors. The Placing has not been underwritten.

Assuming the Placing is fully subscribed, the Placing Shares will represent approximately 57.5 per cent. of the Enlarged Share Capital and the other Placing Shares will rank *pari passu* with the Existing Ordinary Shares including the rights to all dividends and other distributions declared, paid or made after the date of issue. Further details of the terms of the Placing Agreement are set out in paragraph 11.1(a) of Part 10 of this document.

The Placing is conditional, amongst other things, upon Admission and the Placing Agreement becoming unconditional and not being terminated in accordance with its terms.

On Admission (assuming the Placing is fully subscribed and the Acquisition Shares and the Offer Shares are issued) the Company will have 21,968,710 Ordinary Shares in issue and a market capitalisation of approximately £22.0 million at the Placing Price. Application has been made to the London Stock Exchange for the Enlarged Share Capital to be admitted to trading on AIM. It is expected that Admission will become effective and that dealings will commence on 16 April 2012.

The Company has agreed, conditional upon Admission, to grant warrants to subscribe for 219,687 Ordinary Shares (representing 1 per cent. of the Enlarged Share Capital) to Canaccord. Further details of these warrants are set out in paragraph 11.1(l) of Part 10 of this document.

## 19. The Takeover Code

The Takeover Code applies to the Company. Under the Takeover Code, if an acquisition of interests in shares were to increase the aggregate holding of the acquirer and its concert parties to interests in shares carrying 30 per cent. or more of the voting rights in the Company, the acquirer and, depending on circumstances, its concert parties would be required (except with the consent of the Panel on Takeovers and Mergers) to make a cash offer for the outstanding shares in the Company at a price not less than the highest price paid for interests in shares by the acquirer or its concert parties during the previous 12 months. This requirement would also be triggered by any acquisition of interests in shares by a person holding (together with its concert parties) shares carrying between 30 per cent. and 50 per cent. of the voting rights in the Company if the effect of such acquisition were to increase that person's percentage of the total voting rights in the Company.

## 20. Settlement and dealings

Application has been made to the London Stock Exchange for the Enlarged Share Capital to be admitted to trading on AIM. It is expected that Admission will take place, and that dealings on AIM in the Ordinary Shares will commence, on 16 April 2012.

Application has been made for all the issued and to be issued Ordinary Shares to be admitted to CREST with effect from Admission. Accordingly, settlement of transactions in the Ordinary Shares following Admission may take place through CREST.

CREST is a paperless settlement system enabling securities to be evidenced otherwise than by certificate and transferred otherwise than by written instrument in accordance with the Regulations. The Articles permit the holding of Ordinary Shares in uncertificated form in accordance with the Regulations. CREST is a voluntary system and holders of Ordinary Shares who wish to receive and retain share certificates will be able to do so.

## 21. Additional information

Your attention is drawn to the risk factors, the accountant's reports on the Company, the E5 Group, the Hattrick Group, the Concept Art House Group, Sneaky Games and the additional information sections in Parts 2, 3 to 8 and 10, respectively, of this document.

# PART 2

# RISK FACTORS

**An investment in Ordinary Shares involves a high degree of risk. Accordingly, in addition to all of the other information set out in this document, the following specific factors should be considered carefully by prospective investors in evaluating whether to make an investment in the Company. If you are in any doubt about the action you should take, you should consult a personal adviser authorised under the Financial Services and Markets Act 2000 who specialises in advising on the acquisition of shares and other securities before making any investment decision.**

The Directors believe the following risks to be the most significant for potential investors. However, the risks listed do not necessarily comprise all those associated with an investment in the Company and are not set out in any particular order of priority. In particular, the Enlarged Group's performance may be affected by changes in market or economic conditions and in legal, regulatory and tax requirements. The statements contained in or incorporated herein that are not historic facts are forward-looking statements that are subject to risks and uncertainties that could cause actual results to differ materially from those set forth in or implied by forward-looking statements.

If any of the following risks were to materialise, the Enlarged Group's business, financial condition, results or future operations could be materially adversely affected. In such cases, the market price of the Company's shares could decline and an investor may lose part or all of his investment. Additional risks and uncertainties not presently known to the Directors, or which the Directors currently deem immaterial may also have an adverse effect upon the Enlarged Group.

## RISKS RELATING TO THE ENLARGED GROUP'S BUSINESS

### 1. The Enlarged Group has a new business model and a short operating history, which makes it difficult to evaluate its prospects and future financial results and may increase the risk that it is not successful

The Company is newly-incorporated and the E5 Group only began operations in June 2009, and therefore has a short operating history and a new business model, while the Enlarged Group has not operated on a group basis. This makes it difficult to effectively assess the Enlarged Group's future prospects. The Enlarged Group's business model is largely based on offering games that are free to play. While the Directors believe that the market is quickly developing, only a small portion of the Enlarged Group's players currently pay for virtual goods.

### 2. The Enlarged Group relies on a small portion of its total players for a significant amount of its revenue

Compared to all players who play games produced by the Enlarged Group in any period, only a small portion are paying players. The Enlarged Group expects to lose players in the ordinary course of business. In order to sustain, and grow, its revenue levels, the Enlarged Group must attract, retain and increase the number of players or more effectively monetise its players. If management fails to grow or sustain the number of players, or if the rates at which the Enlarged Group attracts and retains players declines or if the average amount its players pay declines, the Enlarged Group's business may not grow and may have a material adverse effect on the Enlarged Group's business, operating results or financial condition.

### 3. A small number of games will generate a majority of the Enlarged Group's revenue; the Enlarged Group must continue to launch and enhance games that attract and retain a significant number of players in order to grow its revenue

The Enlarged Group will depend on a small number of games for the majority of its revenue for the foreseeable future. The Enlarged Group's growth depends on its ability to develop new games that achieve significant popularity. The development and launch of any game requires significant cost associated with engineering, marketing and other resources and it is likely that such costs will continue to increase. Failure by the Enlarged Group to attract and retain a significant number of players to its games may have a material adverse effect on the Enlarged Group's business, operating results or financial condition.

**4. Market opportunities for Future Acquisitions**

There can be no guarantee that the Enlarged Group will successfully identify any companies or businesses meeting the objectives outlined in this document and may be unable to effect a Future Acquisition where there is an identified opportunity and, as a result, resources may be expended on investigative work and due diligence without the transaction being completed.

**5. Acceptability of Ordinary Shares as consideration**

Although it is the Company's intention, where appropriate, to use Ordinary Shares to satisfy all or part of any consideration payable for Future Acquisitions, sellers may not be prepared to accept this form of consideration.

**6. The Enlarged Group's strategy**

The value of an investment in the Enlarged Group is dependent upon the Enlarged Group achieving its strategic aims. The Company's strategy carries inherent risks and there can be no guarantee that the objectives of the Company will be achieved or that any appreciation in the value of the Acquisitions or any Future Acquisition will occur. For example (i) any Acquisition or Future Acquisition may experience trading difficulties after acquisition by the Company; (ii) the Company may not be able to conduct a full investigation of the target prior to acquisition and previously undisclosed underperformance or other adverse matters may only come to light after acquisition and affect the performance of the Enlarged Group; and (iii) the retention of key staff in the business of any Acquisition or Future Acquisition cannot be guaranteed. Whilst the Directors are optimistic about the prospects for the Enlarged Group, there is no certainty that it will be capable of achieving its strategy or the anticipated revenues or growth or be profitable. The Enlarged Group's future operating results will be highly dependent upon how well it manages its planned expansion strategy.

In addition, under the terms of the Hattrick Acquisition, the Concept Art House Acquisition and the Sneaky Games Acquisition, the Company is required to obtain the consent of the sellers of the Hattrick Group, the Concept Art House Group and Sneaky Games to undertake certain steps while any principal amount of the relevant loan notes remains outstanding (and has otherwise not been redeemed or converted into Ordinary Shares). Should the company fail to obtain any such consent, its ability to implement its strategy may be fettered. Further details of these restrictions are set out in paragraph 11 of Part 10 of this document.

**7. Spread of investments**

There will be no limit on the size, number or business sector of Future Acquisitions and therefore there can be no certainty that there will be a spread of Acquired Businesses that will mitigate risk.

**8. Further issue of Ordinary Shares**

It may be desirable for the Company to raise additional capital by way of the further issue of Ordinary Shares to enable the Enlarged Group to progress through further stages of development. Any additional equity financing may be dilutive to Shareholders. There can also be no assurance that such funding, if required, will be available to the Company.

Even if such financing is available, it may be on terms that are materially adverse to a Shareholder's interests with respect to dilution of book value, dividend preferences, liquidation preferences, or other terms. The Company's capital requirements to implement its business strategy may be significant. No assurance can be given that such funds will be available or, if available, will be on commercially reasonable terms satisfactory to the Enlarged Group. Such inability to obtain financing on reasonable terms could have a material adverse effect on the Enlarged Group's business, operating results or financial condition.

In addition, the Company has granted rights over Ordinary Shares to certain parties by way of the Hattrick Loan Notes, the Concept Art House Loan Notes and the Sneaky Games Loan Notes and by way of the Warrants and further intends to grant certain employees and Directors options over Ordinary Shares. Further details of these rights over Ordinary Shares are set out, respectively, in paragraphs 11.1(e), (g), (i), (l) and (m) of Part 10 and paragraph 12 of Part 1 of this document. The exercise of these rights to subscribe for Ordinary Shares will have a dilutive effect on the shareholdings of Shareholders. The Company has further agreed, subject to the satisfaction of certain conditions, to issue Ordinary Shares pursuant to the terms of each of the Share Exchange Agreement, Hattrick Acquisition, the Concept Art House Acquisition and the Sneaky Games Acquisition, which will also have a dilutive effect on the shareholdings of Shareholders. Further details of these Acquisition Agreements are set out, respectively, in paragraphs 11.1(c), (d), (f) and (h) of Part 10 of this document.

### 9. Loss of key management

The Enlarged Group places substantial reliance upon the efforts and abilities of its Directors, senior management and executive officers. The Directors' strategic guidance, experience and expertise will have a significant bearing on the success of the Enlarged Group. Whilst it has entered into contractual arrangements with the aim of securing the services of the Directors, the retention of their services cannot be guaranteed. The loss of the services of any of the Directors, senior management or executive officers could have a material adverse effect on the Enlarged Group's business, operations, revenues or prospects. The Company does not maintain key man life insurance on the lives of these individuals.

### 10. Managing growth in operations

In order to maximize potential growth in its current and potential markets, the Directors believe that the Enlarged Group must expand its operations. This expansion may place a significant strain on the Enlarged Group's management and operational, accounting, and information systems. The Enlarged Group expects that it will need to continue to improve its financial controls, operating procedures, and management information systems as the Enlarged Group expands across multiple locations. The Enlarged Group will also need to effectively train, motivate, and manage its employees. Failure to manage the Enlarged Group's growth could disrupt its operations and ultimately prevent it from generating the revenues the Directors expect.

### 11. Costs of compliance with AIM corporate governance and accounting requirements

The Enlarged Group may incur significant costs associated with its public company reporting requirements, including costs associated with applicable corporate governance requirements. The Enlarged Group expects all of these applicable rules and regulations to significantly increase its legal and financial compliance costs and to make some activities more time consuming and costly. The Enlarged Group also expects that these applicable rules and regulations may make it more difficult and more expensive for it to obtain director and officer liability insurance and it may be required to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. As a result, it may be more difficult for the Enlarged Group to attract and retain qualified individuals to serve as Directors or as executive officers. The Enlarged Group is currently evaluating and monitoring developments with respect to these newly applicable rules, and cannot predict or estimate the amount of additional costs it may incur or the timing of such costs.

### 12. The Enlarged Group may never issue dividends

The Directors do not intend to distribute dividends in the near future. The declaration, payment and amount of any future dividends will be made at the discretion of the Directors, and will depend upon, among other things, the results of the Enlarged Group's operations, cash flows and financial condition, operating and capital requirements and other factors as the Directors consider relevant. There is no assurance that future dividends will be paid, and, if dividends are paid, there is no assurance with respect to the amount of any such dividend.

### 13. Future Acquisitions may have an adverse effect on the Enlarged Group's ability to manage its business

If the Enlarged Group is presented with appropriate opportunities, it may acquire complementary technologies or companies. Future Acquisitions would expose the Enlarged Group to potential risks, including risks associated with the assimilation of new technologies and personnel, unforeseen or hidden liabilities, the diversion of management attention and resources from the Enlarged Group's existing business and the inability to generate sufficient revenues to offset the costs and expenses of Future Acquisitions. Any difficulties encountered in the acquisition and integration process may have an adverse effect on the Enlarged Group's ability to manage its business, although the Directors believe such risks are mitigated by their experience of managing and integrating acquired entities into existing trading groups.

Further, there is no guarantee that the Enlarged Group will successfully be able to identify, attract and complete suitable Future Acquisitions. Whether the Enlarged Group can make Future Acquisitions will also depend on the Enlarged Group's ability to finance such acquisitions and its ability to obtain necessary approvals.

### 14. Further financing requirements

The Enlarged Group may need to raise additional funds through public or private debt or sale of equity to achieve its current business strategy. Such financing may not be available when needed. Even if such financing is available, it may be on terms that are materially adverse to a Shareholder's interests with respect to dilution of book value, dividend preferences, liquidation preferences, or other terms. The Enlarged Group's capital requirements to implement its business strategy will be significant. No assurance can be given that such funds will be available or, if available, will be on commercially reasonable terms satisfactory to the Enlarged Group. There can be no assurance that the Enlarged Group will be able to obtain financing if and when it is needed on terms the Directors deem acceptable.

If the Enlarged Group is unable to obtain financing on reasonable terms, it could be forced to delay or scale back its plans for expansion. In addition, such inability to obtain financing on reasonable terms could have a material adverse effect on the Enlarged Group's business, operating results or financial condition.

### 15. Ability to recruit and retain skilled personnel

The Enlarged Group believes that it has the appropriate incentivisation structures to attract and retain the calibre of employees necessary to ensure the efficient management and development of the Enlarged Group. However, any difficulties encountered in hiring appropriate employees and the failure to do so may have a detrimental effect upon the trading performance of the Enlarged Group. The ability to attract new employees with the appropriate expertise and skills cannot be guaranteed.

### 16. Currency exchange risk

The Enlarged Group sells products that are typically priced in a variety of currencies, whilst a significant portion of the Enlarged Group's costs and development expenditure may be incurred in pounds sterling or US dollars. The Directors cannot predict the effect of foreign exchange rate fluctuations on the Enlarged Group's future operating results or financial condition. There can be no assurance that exchange rate fluctuations will not have a material adverse effect on the Enlarged Group's business, operating results or financial condition.

The consideration payable under the Hattrick Acquisition Agreement, the Concept Art House Acquisition Agreement and the Sneaky Games Acquisition Agreement is expressed in currencies other than pounds sterling and the Directors cannot predict the effect of foreign exchange rate fluctuations on the amount of consideration payable when converted into pounds sterling and such fluctuations could have a material adverse effect on the Enlarged Group's business, operating results or financial condition.

### 17. Certain US members of the Enlarged Group may be limited in their ability to utilize their US tax attributes to offset certain US taxable income, if any, generated by certain ancillary transactions for an extended period of time following the Acquisitions

Following certain acquisitions of a US corporation by a foreign corporation, section 7874 of the United States Internal Revenue Code of 1986, as amended (the "**Code**"), limits the ability of the acquired US corporation and its US affiliates to utilize US tax attributes such as net operating losses to offset US taxable income resulting from certain transactions occurring within a ten year period from the date of acquisition of such US corporation. Such transactions include gain from the transfer of shares or any other property (other than property held for sale to customers) and income from the license of any property that is either transferred or licensed by the acquired US corporation or its US affiliates to a foreign related person or company. Based on the limited guidance available, it is possible that this limitation may apply following the Acquisition of Concept Art House and Sneaky Games. As a result, it is possible that Concept Art House, Sneaky Games and their US affiliates may not be able to use their US tax attributes to offset their US taxable income, if any, resulting from such taxable transactions following the Acquisitions (for a period of ten years). The application of these rules is complex and there is little or no guidance on many important aspects of section 7874 of the Code. The inability of Concept Art House and/or Sneaky Games to use their US tax attributes to offset their US taxable income could have a material adverse effect on the financial condition and results of operations of the Enlarged Group.

## RISKS RELATING TO THE ENLARGED GROUP'S INDUSTRY

### 1. New developments and emerging business demands and technological trends

The Enlarged Group's ability to incorporate new developments and improvements in technology into its products, to develop product offerings that attract new users, retain existing users, and then keep them actively engaged, is critical to its success. The markets in which the Enlarged Group operates are highly competitive. Competitors may develop solutions or services which make the Enlarged Group's offerings obsolete.

The Enlarged Group's ability to develop new products utilising new technologies will impact its future revenue growth and earnings. If the Enlarged Group is not successful in meeting these business challenges, the results of its operations and cash flows will be materially and adversely affected.

### 2. The primary market for the Enlarged Group's products is a highly competitive market. If the Enlarged Group is unable to compete in this highly competitive market, the results of its operations will be materially and adversely affected

The Enlarged Group's competitors include large, technically competent and well capitalised companies. As a result, the markets which the Enlarged Group operates in are highly competitive. This competition may place downward pressure on operating margins in the Enlarged Group's industry. As a result of pricing pressure and new entrants to the market, the Enlarged Group may not be able to establish or maintain operating margins for its product offerings in the future.

Any reductions in margins will require that the Enlarged Group effectively manages its cost structure. If the Enlarged Group fails to manage effectively its cost structure during periods with declining margins, its results of operations will be adversely affected.

### 3. The Enlarged Group's industry is new and rapidly evolving

The Enlarged Group's business, along with that of each Acquired Business, is new and is rapidly evolving. Social gaming, as explained in this document, is a fast growing industry across the globe and is, by virtue of that, inherently uncertain. The Enlarged Group's future operations will therefore be contingent on various factors, including: (i) continued growth in use of social network platforms for gaming purposes, (ii) continued growth in the use of iOS, Android and other mobile devices for game playing and (iii) the availability of other forms of entertainment, either currently in existence or developed at a later date.

## 4. Changes in the methods of distribution and transactions fees

The majority of transactions in the Enlarged Group's industry currently take place within a small number of third party marketplaces or distribution channels, including Facebook and the App Store. These channels are owned and managed by large companies who determine the fees all publishers pay on each transaction, and they have the ability to change these levels at their discretion. The Enlarged Group's margins could be adversely affected if the fees payable are increased.

These companies also impose a set of rules and regulations within the marketplaces and distribution channels in which they operate, and may make changes which require the Enlarged Group to incur additional costs to comply, or may restrict its operations adversely in the future.

The industry has seen rapid growth and decline in different distribution channels, and if the user base on the platforms that the Enlarged Group supports declines, the Enlarged Group may need to incur additional costs to convert its products to new growth platforms and distribution channels and to meet different sets of rules imposed.

## 5. Changes in industry regulation

The Enlarged Group's operations are subject to various governmental regulations which cover many issues, such as user privacy, taxation, advertising, intellectual property rights and information security.

Data collection, protection, security and privacy issues are a growing concern in the United Kingdom, the United States, and in many other countries around the world. Government regulation is evolving in these areas and could limit or restrict the Enlarged Group's ability to market its products and services to consumers, increase the Enlarged Group's costs of operation and lead to a decrease in demand for our products and services. US federal, state and local governmental organisations, as well as foreign governments and regulatory agencies, are also considering legislative and regulatory proposals that directly govern internet commerce, and will likely consider additional proposals in the future.

The Enlarged Group does not know how courts will interpret laws governing internet commerce or the extent to which they will apply existing laws regulating issues such as property ownership, sales and other taxes, libel and personal privacy to the Internet. The growth and development of the market for online commerce has prompted calls for more stringent consumer protection laws that may impose additional burdens on companies that conduct business online.

## 6. Changes in government regulations and laws affecting the IT industry, including accounting principles and interpretations and the taxation of domestic and foreign operations, could adversely affect the Enlarged Group's results of operations

Changing laws, regulations and standards relating to corporate governance and public disclosure are creating uncertainty for companies with activities similar to the Enlarged Group. These new or changed laws, regulations and standards are subject to varying interpretations which, in many instances, is due to their lack of specificity. As a result, the application of these new standards and regulations in practice may evolve over time as new guidance is provided by regulatory and governing bodies. This could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices. The Enlarged Group is committed to maintaining high standards of corporate governance and public disclosure.

As a result, the Enlarged Group's efforts to comply with evolving laws, regulations and standards have resulted in, and are likely to continue to result in, increased general and administrative expenses and a diversion of management time and attention from revenue-generating activities to compliance activities.

The International Accounting Standards Board or other accounting rulemaking authorities may issue new accounting rules or standards that are different to those that the Enlarged Group presently applies to its financial results. Such new accounting rules or standards could require significant changes from the way the Enlarged Group currently reports its financial condition, results of operations or cash flows. Such future changes in financial accounting standards may have a significant effect on its reported results of operations, including results of transactions entered into before the effective date of the changes.

The Company is subject to income taxes in the United Kingdom, however the Directors expect the Enlarged Group be subject to taxes in other jurisdictions (including the United States, the PRC, Sweden and Gibraltar) from Admission. The Enlarged Group's provision for income and other taxes and its tax liability in the future could be adversely affected by numerous factors including, but not limited to, changes in the valuation of deferred tax assets and liabilities, and changes in tax laws, regulations, accounting principles or interpretations thereof, which could adversely impact the Enlarged Group's financial condition, results of operations and cash flows in future periods.

**7. Potential claims from third parties**

The Enlarged Group cannot guarantee that the games it develops and publishes, either developed internally or used under licence, do not infringe the intellectual property rights of third parties. In the event that a third party asserts a claim against one or more members of the Enlarged Group with respect to games in the Enlarged Group's portfolio, it may be obliged to modify the relevant games or cease to publish the relevant games, failing which it may be exposed to infringement proceedings. The materialisation of any such claims may have a materially adverse effect on the Enlarged Group's business, results of operations and future growth.

## RISKS RELATING TO THE ACQUISITIONS

**1. The Acquisitions may not complete**

Although the Company has entered into binding Acquisition Agreements for the acquisition of each of Hattrick, E5, Concept Art House and Sneaky Games, there can be no assurances that the conditions to completion under the Acquisition Agreements (as referred to in more detail in paragraphs 11.1(c), (d), (f) and (h), of Part 10 of this document) will be satisfied. Completion is conditional, among other things, on: (i) Admission having occurred by no later than 30 April 2012 (in the case of the Share Exchange Agreement and the Hattrick Acquisition Agreement) and (ii) in the case of the Concept Art House Acquisition Agreement, the Sneaky Games Acquisition Agreement and the Share Exchange Agreement, the completion of the Hattrick Acquisition Agreement.

***Hattrick Acquisition***

If at any time prior to completion of the Hattrick Acquisition Agreement the Company is subject to an application for winding up or the appointment of an administrator, receiver or liquidator, the Sellers (as defined in paragraph 11.1(d) of Part 10 of this document, the "**Hattrick Sellers**") may terminate the Hattrick Acquisition Agreement. If at any time prior to completion of the Hattrick Acquisition Agreement (i) any of the Hattrick Sellers are subject to an application for winding up or the appointment of an administrator, receiver or liquidator, (ii) there is a breach of any pre-completion obligations by the Hattrick Sellers, or (iii) a material adverse change occurs, and in the case of (ii) and (iii) such events are not capable of being remedied or are not remedied by the Hattrick Sellers within a certain period, the Company may terminate the Hattrick Acquisition Agreement. This is the case regardless or whether or not Admission has occurred, and failure to complete the Hattrick Acquisition may have a materially adverse effect on the Enlarged Group's business, results of operations and future growth.

***Concept Art House and Sneaky Games Acquisitions***

Each party's obligations to complete the Concept Art House and Sneaky Games Acquisitions are also subject to certain conditions (which the other party can waive), including the truth and accuracy of representations and warranties made, no breach of either the Concept Art House or Sneaky Games Acquisition Agreements having occurred, no action having commenced seeking to prevent completion, requisite approvals having been obtained and certain other deliverables being provided, including legal opinions. The Company's obligations are also conditioned on there being no material adverse effect on the business of either Concept Art House or Sneaky Games and certain other corrective actions being taken in connection with its business. Concept Art House and Sneaky Games' obligations include obtaining prior approval of their shareholders. Failure to complete either or both of the Concept Art House Acquisition and Sneaky Games Acquisition may have a material adverse effect on the Enlarged Group's business, results of operations and future growth.

*E5 Acquisition*

The Share Exchange Agreement was entered into by the Company with E5 shareholders currently representing approximately 64 per cent. of the issued shares in E5. Following completion, there will remain minority shareholders in E5 outside of the Enlarged Group. It is the current intention of the Directors to enter into an agreement to acquire the remaining shares in E5 voluntarily and on substantially similar terms to the Share Exchange Agreement. If the Company is not able to do so, as it will own more than fifty per cent. of the issued shares in E5, it currently proposes to effect a merger under Delaware law to enable it to acquire all of the issued shares in E5 it will not already own. Any delay or failure to do so could adversely affect the business, results of operation and future growth of the Enlarged Group, although the Directors do not believe that any such of the foregoing should have a material adverse effect in the context of the Enlarged Group, taken as a whole.

**2. For potential claims from third parties, the protections for the Company in the Acquisition Agreements may be inadequate**

The Enlarged Group cannot guarantee that the entities and/or assets acquired in connection with the Acquisitions are not subject to any current or future claims from third parties. In the event that a third party asserts a claim against any member of the Enlarged Group with respect to any entities and/or assets acquired in connection with the Acquisitions, such a claim may have a materially adverse effect on the Enlarged Group's business, results of operations and future growth. The nature of any such claim may vary. For example, a claim may arise due to circumstances which relate to existing commercial relations with third party trading partners, or equally due to steps taken, or omitted to be taken or corporate structures put in place for example for tax structuring reasons, by any of the Company, the E5 Group, the Hattrick Group, the Concept Art House Group or Sneaky Games, which may result in a liability to taxation in any jurisdiction in which that entity operates. The Company has taken steps to protect itself against any such liability such as, in the case of the Acquisitions, by seeking contractual protection from the various vendors in the form of such warranties and indemnities as are customary for transactions of this nature. However, there can be no guarantee that such protections will be adequate to protect fully the Enlarged Group's position and any such claim, investigation, litigation or proceedings brought by any third party (including, without limitation, any tax authority) could be time consuming, costly and/or result in negative publicity and may, as a result, have a material adverse effect on the Enlarged Group's business, results of operations and future growth.

In order to recover pursuant to a claim under any of the Acquisition Agreements, the Company would need to prove that it had suffered a loss and any claim for loss, including for breach of warranty, would in the absence of fraud, be subject to the limitations on liability set out in the Acquisition Agreements summaries of which are set out in paragraphs 11.1(c), (d), (f) and (h) of Part 10 of this document. Accordingly, the Company may not be able to recover the full (or any) amount of any loss suffered. In addition, because the Company's recourse is ultimately to the individual shareholders of each of the targets in the Acquisition Agreements, there is a risk that such shareholders may not have sufficient assets to satisfy their respective liabilities in the future.

The Company's ability to successfully recover pursuant to a claim under the Hattrick Acquisition Agreement, including for breach of any of the representations, warranties and indemnities, is dependent upon, amongst other matters, the continued solvency of the Hattrick Sellers and their ability to meet any claim or claims. The aggregate liability of the Hattrick Sellers is capped at €7,000,000 under the Hattrick Acquisition Agreement and the liability of each individual seller or founder is limited to his proportionate share of that amount. The Hattrick Acquisition Agreement is governed by English Law and the Company's ability to recover is also dependent upon the decision of an English court being enforced by the courts in Sweden or Cyprus and/or any other countries in which the Hattrick Sellers may operate and/or are established.

The Company's ability to successfully recover pursuant to a claim under the Concept Art House and Sneaky Games Acquisition Agreements, including for breach of any of the representations and warranties, is dependent upon, amongst other matters, the continued solvency of the individual sellers and their ability to meet any claim. Only a portion of the merger consideration (US$250,000 in the case of Sneaky Games and US$750,000 in the case of Concept Art House) is reserved to cover liabilities in the form of the Sneaky

Games Loan Notes and the Concept Art House Loan Notes, respectively. The aggregate liability of the respective sellers is capped at US$6.5 million and US$1.8 million under the Concept Art House Acquisition Agreement and the Sneaky Games Acquisition Agreement, respectively. The Concept Art House Acquisition Agreement and Sneaky Games Acquisition Agreement are governed by the laws of Delaware and Texas, respectively.

***The Company has certain tax indemnification obligations to shareholders of Concept Art House and Sneaky Games***

The parties are proceeding on the basis that the share consideration payable to shareholders of Concept Art House and Sneaky Games in the Concept Art House Acquisition and Sneaky Games Acquisition will be received by such shareholders tax-free for U.S. federal income tax purposes. While the Company believes that this approach is reasonable in light of the transaction structure and other relevant information, under certain circumstances it has undertaken to indemnify these shareholders to the extent that U.S. federal income tax is in fact imposed on such share consideration. If for some reason such U.S. federal income tax is imposed, the Company's obligation to satisfy its indemnity could have a material adverse effect on the financial condition and results of operations of the Enlarged Group.

**RISKS RELATING TO THE CONCEPT ART HOUSE GROUP'S OPERATIONS IN PRC**

**1. Operations outside permitted business scope**

The Shanghai Representative Office (the "**RO**") of Concept Art House has previously conducted certain business activities on behalf of Concept Art House that may be viewed as outside of the RO's permitted business scope. Although the process of deregistering the RO, so that the business going forward is properly undertaken through the WFOE (as defined below) has been almost completed, it is possible that the RO may be subject to retroactive administrative fines and taxes as a result of undertaking such business activities.

It is also possible that the RO's prior activities create a risk that Chinese authorities could consider CAH to have a "permanent establishment" in China for tax purposes and any profits so generated by CAH may be subject to PRC taxes, the amount of which are not readily quantifiable.

Yi Yi Ju (Shanghai) Software Technology Co., Ltd., the wholly foreign owned enterprise (the "**WFOE**") established by CAH in Shanghai, China in July 2011, has been engaged in the provision of vocational training in China since its establishment. Such activity is outside its permitted business scope unless the arrangement involves cooperation with a suitable Chinese counter party. Although CAH's current arrangement is through its WFOE and the Shanghai Information Services Association in the form of a consulting arrangement, there is a possibility that this arrangement does not satisfy all legal requirements and, if it is found that it does not, then there is a risk the WFOE may have to cease all or some of such business activities, return the fees it has collected from the students and/or face a fine. Any such cessation, return of fees or fines could have an adverse effect on the Concept Art House Group's financial condition, results of operations or prospects although the Directors do not believe that this should have a material adverse effect in the context of the Enlarged Group, taken as a whole.

**2. Local PRC taxation issues**

Although an agreement is in place between CAH and the WFOE providing for inter-company transactions to be on arm's length terms, the WFOE has previously provided services to CAH some or all of which may not have been on arm's length terms. To the extent PRC tax authorities determine that to be the case, it is possible that the PRC tax authorities may request payment of taxes and/or fines in connection with prior service fee amounts that should have been charged, the amounts of which are not readily quantifiable.

Although it is not necessarily viewed as an unusual practice in Chinese business, the WFOE has not in all cases withheld individual income taxes for its employees based on the full amount of their taxable income or paid full statutory social insurance (including the housing fund) premiums for its employees. It is possible that the WFOE will be required to pay the underpaid amounts and face fines by the relevant authorities, although the Directors do not believe that the amount of any liability would be material in the context of the Enlarged Group.

### 3. The performance of the Concept Art House Group's business depends on future economic growth in the PRC

The growth of the business of the Concept Art House Group depends significantly upon the continuation of economic development and growth in the PRC. The PRC, including Beijing, has experienced rapid economic development in recent years, but such growth cannot be guaranteed to continue at such rates either in the PRC generally or in the particular areas in which the Concept Art House Group's operations and investments are located. A sustained period of slower growth in the PRC could have a material adverse effect on the financial condition and results of operations of the Concept Art House Group as well as on its prospects.

In general, any form of government control or newly implemented laws and regulations, depending on the nature and extent of such changes and the ability of the Concept Art House Group to make corresponding adjustments, may result in a material adverse effect on its business and operating results and its future expansion plans in the PRC. In particular, decisions taken by regulators concerning economic or business interests or goals that are inconsistent with the Concept Art House Group's interests could adversely affect its results of operations.

### 4. The legal system in the PRC is less developed than in certain other countries and uncertainty with respect to the PRC legal system could affect the Concert Art House Group's operations

The Concept Art House Group's operations are governed principally by PRC laws and regulations. China has not developed a fully integrated legal system and recently enacted laws and regulations may not sufficiently cover all aspects of economic activities in China. Shortages in the availability of foreign currency may restrict the ability of PRC entities to remit sufficient foreign currency to pay dividends or other payments to any other company in the Enlarged Group, or otherwise satisfy their foreign currency-denominated obligations. In addition, the PRC legal system is based in part on government policies and internal rules (some of which are not published on a timely basis or at all) that may have a retroactive effect. As a result, the Enlarged Group may not be aware of a violation of these policies and rules until some time after the violation. In addition, any litigation in China may be protracted and result in substantial costs and diversion of resources and management attention.

### 5. Concept Art House may be deemed a PRC resident enterprise under the new PRC corporate tax law and its global income may become subject to PRC corporate tax

Under the new PRC corporate tax law that became effective from January 1, 2008, companies incorporated outside the PRC whose "*de facto* management bodies" are located in the PRC will be considered "resident enterprises" and will generally be subject to corporate tax at the rate of 25 per cent. in respect of their global income. Under PRC corporate tax law, "de facto management bodies" is defined as bodies that have material and overall management control over the business, personnel, accounts and properties of a company.

In the event Concept Art House is considered a PRC resident company, it will be required to withhold an additional tax of 7 per cent. on payments of interest to investors that are non-resident companies located in Hong Kong or 10 per cent. on payments of interest to investors that are non-resident companies located outside Hong Kong, because such interest payments will be regarded as being derived from sources within the PRC.

### 6. Intellectual Property Concerns

Given the particular weakness of the Chinese intellectual property regime, it is often difficult to create and enforce intellectual property rights in China. Accordingly, the Concept Art House Group may not be able to effectively protect its intellectual property rights in China against infringement by other business entities, individuals, and current or former employees. Unauthorized use of the intellectual property of the Concept Art House Group by third parties may adversely affect its business and reputation.

The Enlarged Group cannot be certain that its products, services and intellectual property used in its normal course of business do not or will not infringe valid patents, copyrights or other intellectual property rights held by third parties. The Enlarged Group may in the future be, subject to claims and legal proceedings relating to the intellectual property of others in the ordinary course of its business. In particular, if the

Enlarged Group is found to have violated the intellectual property rights of others, it may be enjoined from using such intellectual property, may be ordered to pay a fine and may incur licensing fees or be forced to develop alternatives. The Enlarged Group may incur substantial expenses in defending against these third party infringement claims, regardless of their merit. Successful infringement claims against the Enlarged Group may result in substantial monetary liability or may materially disrupt the conduct of its business by restricting or prohibiting its use of the intellectual property in question in China.

## RISKS RELATING TO THE ORDINARY SHARES

### 1. Investment in AIM securities

Although the Company is applying for the admission of its Enlarged Share Capital to trading on AIM, there can be no assurance that an active trading market for the Ordinary Shares will develop, or if developed, that the market will be maintained. Investment in shares traded on AIM is perceived to involve a higher degree of risk and to be less liquid than investment in companies whose shares are listed on the Official List. An investment in Ordinary Shares may be difficult to realise. Prospective investors should be aware that the value of the Ordinary Shares may go down as well as up and that the market price of the Ordinary Shares may not reflect the underlying value of the Company. Investors may therefore realise less than, or lose all of, their investment.

### 2. AIM Rules

The rules of AIM are less onerous than those of the Official List. Neither the FSA nor the London Stock Exchange has itself examined or approved the contents of this document. Shareholders and prospective investors (as appropriate) should be aware of the risks of investing in such shares and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser.

### 3. Suitability

An investment in the Ordinary Shares may not be suitable for all recipients of this document. Investors are accordingly advised to consult an appropriate person authorised under the FSMA before making their decision to invest in the Ordinary Shares.

### 4. Share price volatility and liquidity

The share price of quoted emerging companies can be highly volatile and shareholdings 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 Enlarged Group and its operations and some which may affect quoted companies generally. These factors could include the performance of the Enlarged Group, large purchases or sales of the Ordinary Shares, currency fluctuations, legislative changes and general market, economic, political or regulatory conditions. The share price for publicly traded companies, particularly those at an early stage of development such as the Company, can be highly volatile. These fluctuations may adversely affect the trading price of Ordinary Shares regardless of the Enlarged Group's performance.

# PART 3 – FINANCIAL INFORMATION ON ZATTIKKA PLC

## SECTION A: ACCOUNTANT'S REPORT ON ZATTIKKA PLC

BDO LLP
2 City Place
Beehive Ring Road
Gatwick
RH6 0PA

11 April 2012

The Directors
Zattikka plc
Hanover House
14 Hanover Square
London W1S 1HP

Canaccord Genuity Limited
88 Wood Street
London EC2V 7QR

Dear Sirs

**Zattikka Plc (the "Company")**

**Introduction**

We report on the financial information on the Company set out in Section B of Part 3. This financial information has been prepared for inclusion in the admission document dated 11 April 2012 of Zattikka Plc (the "Admission Document") on the basis of the accounting policies set out in note 1 to the financial information. 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 item and for no other purpose.

**Responsibilities**

The directors of the Company are responsible for preparing the financial information in accordance with International Financial Reporting Standards as adopted by the European Union.

It is our responsibility to form an opinion on the financial information and to report our opinion to you.

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 the 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 Schedule Two of the AIM Rules for Companies consenting to its inclusion in the Admission Document.

**Basis of opinion**

We conducted our work in accordance with 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 financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the 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 financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in the United States of America or other jurisdictions outside the United Kingdom and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

**Opinion**

In our opinion, the financial information gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of the Company as at 16 November 2011 in accordance with International Financial Reporting Standards as adopted by the European Union.

**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

BDO LLP
*Chartered Accountants*

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

# SECTION B: HISTORICAL FINANCIAL INFORMATION ON THE COMPANY

**Responsibility**

The directors of the Company are responsible for preparing the financial information set out below on the basis of preparation set out in note 1 to the financial information and in accordance with applicable law and International Financial Reporting Standards ("IFRSs") adopted by the European Union.

**Statement of financial position as at 16 November 2011**

| | *As at 16 November 2011 US$* |
|---|---|
| **Current assets** | |
| Other receivables | – |
| **Total assets** | – |
| **Share capital and reserves** | |
| Share capital (note 2) | – |
| **Total equity** | – |

**Notes to the financial information**

**1 Accounting polices**

*Basis of preparation*

The financial information has been prepared under the historical cost convention and in accordance with applicable IFRSs.

The Company was incorporated as Zattikka No.1 Plc on 16 November 2011. The balance sheet set out above is at the incorporation date. Consequently no income statement is presented.

The principal accounting policies to be adopted by the Company when it prepares its first set of financial statements will be those adopted by E5 as set out in Section B of Part 4.

**2 Share capital**

| | *As at 16 November 2011 US$* |
|---|---|
| Unlimited ordinary shares of £0.01 value | – |
| **Allotted, called up and fully paid** | |
| Ordinary shares of £0.01 par value | – |

The Company was incorporated with share capital represented by an unlimited number of ordinary shares of £0.01 value. On incorporation one ordinary share of £0.01 par value was issued at a subscription price of £0.01 per ordinary share.

**3 Post balance sheet events**

On 2 December 2011 the company changed its name to Zattikka plc, subject to Zattikka Limited changing its name to Zattikka UK Limited.

On 29 March 2012, the Company obtained a public company trading certificate stating that the Company is entitled to do business and borrow.

On 29 March 2012, the Company issued 4,999,999 ordinary shares of £0.01 each, which are fully paid up.

On 11 April 2012 the ordinary shares were consolidated from £0.01 per share to £0.10 per share and 450,000 of the ordinary shares were redesignated as Deferred Shares, with the rights set out in Para 3.6 of Part 10 of this document.

On 11 April 2012, the Company entered into the following Acquisition Agreements:

- the Concept Art House Acquisition Agreement as set out in Para 11.1(f) of Part 10 of this document;
- the Hattrick Acquisition Agreement as set out in Para 11.1(d) of Part 10 of this document; and
- the Sneaky Games Acquisition Agreement as set out in Para 11.1(h) of Part 10 of this document.

Conditional upon Admission and the completion of the Hattrick Acquisition, all of the Shareholders of E5 will exchange their shares in E5 for shares in the Company.

# PART 4 – FINANCIAL INFORMATION ON EXPEDITE 5, INC.

## SECTION A: ACCOUNTANT'S REPORT ON EXPEDITE 5, INC.

BDO LLP
2 City Place
Beehive Ring Road
Gatwick
RH6 0PA

11 April 2012

The Directors
Zattikka Plc
Hanover House
14 Hanover Square
London W1S 1HP

Canaccord Genuity Limited
88 Wood Street
London EC2V 7QR

Dear Sirs

**Zattikka Plc (the "Company")**

**Expedite 5, Inc. ("E5") and its subsidiaries (the "E5 Group")**

**Introduction**

We report on the financial information set out in Section B of Part 4. This financial information has been prepared for inclusion in the admission document dated 11 April 2012 of Zattikka Plc (the "Admission Document") on the basis of the accounting policies set out in note 2 to the financial information. 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 item and for no other purpose.

**Responsibilities**

The directors of the Company are responsible for preparing the financial information in accordance with International Financial Reporting Standards as adopted by the European Union.

It is our responsibility to form an opinion on the financial information and to report our opinion to you.

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 the 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 Schedule Two of the AIM Rules for Companies consenting to its inclusion in the Admission Document.

**Basis of opinion**

We conducted our work in accordance with 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 financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the 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 financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in the United States of America or other jurisdictions outside the United Kingdom and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

**Opinion**

In our opinion, the financial information gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of the Group as at 31 December 2009 and 31 December 2010 and of its results, cash flows and changes in equity for the period ended 31 December 2009 and the year ended 31 December 2010 in accordance with International Financial Reporting Standards as adopted by the European Union.

**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

BDO LLP
*Chartered Accountants*

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

## SECTION B: HISTORICAL FINANCIAL INFORMATION ON THE E5 GROUP FOR THE YEAR ENDED 31 DECEMBER 2009 AND THE YEAR ENDED 31 DECEMBER 2010

The financial information set out below of the E5 Group, for the years ended 31 December 2009 and 31 December 2010 has been prepared by the directors of the Company on the basis set out in note 2.

**E5 Group Consolidated Income Statements**

| | Note | *Audited Year ended 31 December 2009 US$* | *Audited Year ended 31 December 2010 US$* |
|---|---|---|---|
| Revenue | 2 | 2,990 | 35,568 |
| Cost of sales | | (746) | (56,322) |
| **Gross profit/(loss)** | | 2,244 | (20,754) |
| Depreciation | | (2,008) | (9,062) |
| Amortisation | | (69,439) | (301,382) |
| Impairment of intangibles | | – | (69,136) |
| Other administrative expenses | | (799,059) | (3,243,652) |
| Total administrative costs | | (870,506) | (3,623,232) |
| **Loss from operations** | 6 | (868,262) | (3,643,986) |
| Finance income | 8 | 228 | 5 |
| Finance expense | 9 | (419) | (4,271) |
| **Loss before taxation** | | (868,453) | (3,648,252) |
| Taxation | 10 | – | – |
| **Loss for the financial period** | | (868,453) | (3,648,252) |
| **Other comprehensive income** | | | |
| Foreign currency translation differences | | (16,516) | (9,290) |
| **Total comprehensive loss** | | (884,969) | (3,657,542) |
| **Attributable to equity holders of the parent** | | (884,969) | (3,657,542) |
| **Loss per share** | 11 | (0.16) | (0.29) |

**E5 Group Consolidated Statements of Financial Position**

| | *Note* | *Audited as at 31 December 2009 US$* | *Audited as at 31 December 2010 US$* |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 13 | 13,401 | 26,352 |
| Intangible assets | 12 | 411,611 | 1,369,369 |
| **Total non-current assets** | | 425,012 | 1,395,721 |
| **Current assets** | | | |
| Trade and other receivables | 14 | 52,012 | 267,641 |
| Cash and cash equivalents | | 226,736 | 838,796 |
| **Total current assets** | | 278,748 | 1,106,437 |
| **TOTAL ASSETS** | | 703,760 | 2,502,158 |
| **Current liabilities** | | | |
| Trade and other payables | 15 | (91,047) | (738,290) |
| Contingent consideration | 16 | (318,560) | (247,536) |
| **Total current liabilities** | | (409,607) | (985,826) |
| **Net current (liabilities)/assets** | | (130,859) | 120,611 |
| **Non-current liabilities** | | – | – |
| **NET ASSETS** | | 294,153 | 1,516,332 |
| **Capital and reserves attributable to equity holders of the E5 Group** | | | |
| Share capital | 18 | 7,480 | 13,756 |
| Share premium | | 1,171,642 | 6,045,087 |
| Foreign currency translation reserve | | (16,516) | (25,806) |
| Accumulated loss | | (868,453) | (4,516,705) |
| **TOTAL EQUITY** | | 294,153 | 1,516,332 |

**E5 Group Consolidated Statement of Cash Flows**

| | Note | *Audited Year ended 31 December 2009 US$* | *Audited Year ended 31 December 2010 US$* |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Loss for the period | | (868,453) | (3,648,252) |
| Adjustments for: | | | |
| Depreciation of property, plant and equipment | | 2,008 | 9,062 |
| Amortisation of intangible assets | | 69,439 | 301,382 |
| Impairment of intangible assets | | – | 69,136 |
| | | (797,006) | (3,268,672) |
| Increase in trade and other receivables | | (52,012) | (215,630) |
| Increase in trade and other payables | | 409,607 | 642,475 |
| **Cash used in operations** | | (439,411) | (2,841,827) |
| **Net cash used in operating activities** | | (439,411) | (2,841,827) |
| **Cash flows from investing activities** | | | |
| Purchase of property, plant and equipment | | (15,409) | (23,595) |
| Purchase of intangible assets | | (481,050) | (1,331,413) |
| **Net cash used in investing activities** | | (496,459) | (1,355,008) |
| **Cash flows from financing activities** | | | |
| Issue of ordinary share capital | | 1,179,122 | 4,919,200 |
| Costs of issue of ordinary share capital | | – | (39,480) |
| Payment of contingent consideration | | – | (65,616) |
| **Net cash generated from financing activities** | | 1,179,122 | 4,814,104 |
| **Effect of exchange rate on cash and cash equivalents** | | (16,516) | (5,209) |
| **Net increase in cash and cash equivalents** | | 226,736 | 612,060 |
| Cash and cash equivalents at the beginning of the period | | – | 226,736 |
| **Cash and cash equivalents at the end of the period** | 20 | 226,736 | 838,796 |

Cash and cash equivalents (which are presented as a single class of assets on the face of the consolidated statements of financial position) comprise cash at bank and other short-term highly liquid investments with a maturity of three months or less.

**E5 Group Consolidated Statement of Changes in Equity**

| *Audited* | *Share capital US$* | *Share premium US$* | *Foreign currency translation reserve US$* | *Accumulated loss US$* | *Total US$* |
|---|---|---|---|---|---|
| **At 1 January 2009** | – | – | – | – | – |
| Issue of shares | 7,480 | 1,171,642 | – | – | 1,179,122 |
| Loss for the year | – | – | – | (868,453) | (868,453) |
| Other comprehensive income: | | | | | |
| Movement in foreign exchange reserve | – | – | (16,516) | – | (16,516) |
| **At 31 December 2009** | 7,480 | 1,171,642 | (16,516) | (868,453) | 294,153 |
| **At 1 January 2010** | 7,480 | 1,171,642 | (16,516) | (868,453) | 294,153 |
| Issue of shares | 6,276 | 4,873,445 | – | – | 4,879,721 |
| Loss for the year | – | – | – | (3,648,252) | (3,648,252) |
| Other comprehensive income: | | | | | |
| Movement in foreign exchange reserve | – | – | (9,290) | – | (9,290) |
| **At 31 December 2010** | 13,756 | 6,045,087 | (25,806) | (4,516,705) | 1,516,332 |

## Notes to the Historical Financial Information

### 1. General information

Expedite 5, Inc. ("E5") is a company incorporated in the United States, Delaware. The address of the registered office is 21 Arlington Street, London SW1A 1RN.

The directors have chosen to present the historical financial information in United States Dollars (US$). The functional currency of the E5 Group is British Pounds (GBP) which is the primary economic environment in which the E5 Group operates. Foreign operations are included in accordance with the policies set out in note 2.

### 2. Significant accounting policies

***Basis of accounting***

The historical financial information has been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations issued by the International Accounting Standards Board as adopted by European Union ("IFRSs").

The historical financial information is prepared on a historical cost basis.

The principal accounting policies adopted are set out below.

***First time adoption***

The E5 Group has adopted IFRS from 1 January 2009 ('the date of transition'); please refer to note 23, First Time Adoption of International Financial Reporting Standards, for details of the transition.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

***Principles of consolidation***

The consolidated historical financial information includes the financial statements of the E5 Group, its 100 per cent. subsidiaries, Zattikka Holdings Limited and Zattikka Limited. All inter-group transactions and balances have been eliminated on consolidation.

The E5 Group's subsidiaries and affiliated companies and their principal activities as of 31 December 2010 are summarised as follows:

| *Company Name* | *Place of Incorporation of Organization* | *Attributable Equity Interest* | *Principal Activities* |
|---|---|---|---|
| Zattikka Holdings Limited | British Virgin Islands | 100% | Investment Holding |
| Zattikka Limited | United Kingdom | 100% | Operating |

***Business combinations***

The acquisition of subsidiaries or trade and assets is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued or to be issued, by the E5 Group in exchange for control of the acquiree. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair value at the acquisition date.

***Property, plant and equipment***

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment in value.

## 2. Significant accounting policies (continued)

***Depreciation***

Depreciation is provided on all property, plant and equipment, at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition, of each asset evenly over its expected useful life, as follows:

Office and computer equipment 33.3 per cent. per annum.

The carrying values of property, plant and equipment are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable.

The asset's residual values, useful lives and methods are reviewed, and adjusted if appropriate, at each financial period end.

***Intangible assets***

Intangible assets with a finite useful represent items which have been separately identified under IFRS 3 arising in business combinations, or meet the recognition criteria of IAS 38, "Intangible Assets". Intangible assets acquired as part of a business combination are initially recognised at their fair value and subsequently amortised on a straight line basis over their useful economic lives. Intangible assets that meet the recognition criteria of IAS 38, "Intangible Assets" are carried at cost less amortisation and any impairment losses. Intangible assets comprise of completed technology and acquired software.

*Amortisation*

Amortisation of intangible assets acquired in a business combination is calculated over the following periods on a straight line basis:

Completed technology – over a useful life of 24 months to 6 months.

*Internally-generated intangible assets – research and development expenditure*

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

Any internally-generated intangible asset arising from the E5 Group's development projects are recognised only if all of the following conditions are met:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale.
- The intention to complete the intangible asset and use or sell it.
- The ability to use or sell the intangible asset.
- How the intangible asset will generate probable future economic benefits. Among other things, the E5 Group can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset.
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.
- Its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Internally-generated intangible assets are amortised on a straight-line basis over their useful lives of two years. Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

***Impairment of non financial assets***

At each balance sheet date, the E5 Group reviews the carrying amounts of its tangible and intangible assets 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).

## 2. Significant accounting policies (continued)

***Impairment of non financial assets (continued)***

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 for which the estimates of future cash flows have not been adjusted.

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 (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in the statement of comprehensive income as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (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 periods. A reversal of an impairment loss is recognised as income immediately.

***Financial instruments***

Financial assets and financial liabilities are recognised on the E5 Group's balance sheet at fair value when the E5 Group becomes a party to the contractual provisions of the instrument.

***Trade receivables***

Trade receivables represent amounts due from customers in the normal course of business. All amounts are initially stated at their fair value and are subsequently carried at amortised costs, less provision for impairment.

***Cash and cash equivalents***

Cash and cash equivalents include cash at hand and deposits held at call with banks with original maturities of three months or less.

***Financial liabilities and equity instruments***

Financial liabilities and equity instruments 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 E5 Group after deducting all of its liabilities. Equity instruments issued by the E5 Group are recorded at the proceeds received, net of direct issue costs.

Financial instruments issued by the E5 Group are treated as equity only to the extent that they do not meet the definition of a financial liability. The E5 Group's ordinary shares are classified as equity. When new shares are issued, they are recorded in share capital at their par value. The excess of the issue price over the par value is recorded in the share premium reserve. Incremental external costs directly attributable to the issue of new shares (other than in connection with a business combination) are recorded in equity as a deduction, net of tax, to the share premium reserve.

***Trade payables***

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

***Taxation***

The tax expense represents the sum of the current tax and deferred tax charges. The tax currently payable is based on taxable profit for the period. Taxable profit differs from net profit as reported in the income statement 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 E5 Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

## 2. Significant accounting policies (continued)

### *Taxation (continued)*

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

The carrying amount of deferred tax assets is reviewed at each balance sheet 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 is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

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 E5 Group intends to settle its current tax assets and liabilities on a net basis.

### *Common shares and additional paid in capital*

As equity instrument is any contract that evidences a residual interest in the assets of the E5 Group after deducting all of its liabilities. Common shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from proceeds.

### *Warrants*

Any consideration received on granting of warrants is credited directly to equity. On exercise, the proceeds received net of any directly attributable transaction costs are credited to share capital.

Warrants granted in exchange for the provision of services are recognised at fair value, with a corresponding entry to the equity. On exercise, the proceeds received net of any directly attributable transaction costs are credited to common shares (nominal value) and additional paid in capital.

### *Revenue recognition*

Revenue is recognised when (a) persuasive evidence of an arrangement exists, (b) delivery has occurred, (c) a fee is fixed or determinable, and (d) collectability is probable.

The E5 Group recognises advertising revenue after the advertising display has been completed. The E5 Group recognises revenue for software application sales when the title transfers and risk of loss has passed to the customer, which is upon download of a product by the customer.

### *Foreign exchange*

Transactions entered into by E5 Group entities in a currency other than the currency of the primary economic environment in which they operate (their "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the reporting date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised immediately in the income statement. When a gain or loss on a non-monetary item is recognised in income statement, any exchange component of that gain or loss shall be recognised in the income statement.

On consolidation, the results of overseas operations are translated into US Dollars at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations, including

## 2. Significant accounting policies (continued)

***Foreign exchange (continued)***

goodwill arising on the acquisition of those operations, are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income and accumulated in the foreign exchange reserve.

On disposal of a foreign operation, the cumulative exchange differences recognised in the foreign exchange reserve relating to that operation up to the date of disposal are transferred to the consolidated statement of comprehensive income as part of the profit or loss on disposal.

***Contingent consideration***

Contingent consideration represents the management's best estimate of amounts required to settle future liabilities discounted where time value of money is considered to be material.

## 3. Standards not yet effective to the E5 Group

***Standards, amendments and interpretations to published standards not yet effective***

At the date of authorisation of the historical financial information, the following new standards and interpretations which have not been applied in the historical financial information were in issue but not yet effective (and in some cases had not yet been adopted by the EU).

| *IFRS/Amendment* | *Application date of the Standard* | *Application date for the E5 Group* |
|---|---|---|
| IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments | 1 July 2010 | 1 January 2012 |
| IAS 24(Revised) Related Party Disclosures | 1 January 2011 | 1 January 2012 |
| IFRIC 14, IAS 19 (Amendment) Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction | 1 January 2011 | 1 January 2012 |
| IFRS 9 Financial Instruments: Classification and Measurement | 1 January 2013 | 1 January 2013 |
| IFRS 7 Financial Instruments: Disclosures | 1 January 2012 | 1 January 2012 |
| IAS 12 amendment: Deferred tax: recovery of underlying assets | 1 January 2012 | 1 January 2012 |
| IAS 27 Revised 2011: Separate financial statements | 1 January 2013 | 1 January 2013 |
| IAS 28 Revised 2011: Investment in Associates | 1 January 2013 | 1 January 2013 |
| IAS 32 Amendment: Classification if rights issues | 1 February 2010 | 1 January 2012 |
| IFRS 1 Amendment: Severe hyperinflation and removal of fixed dates for first-time adopters | 1 July 2011 | 1 January 2012 |
| IFRS 10 Consolidated financial statements | 1 January 2013 | 1 January 2013 |
| IFRS 11 Joint arrangements | 1 January 2013 | 1 January 2013 |
| IFRS 12 Disclosure of interests in other entities | 1 January 2013 | 1 January 2013 |
| IFRS 13 Fair value measurement | 1 January 2013 | 1 January 2013 |

The directors are currently assessing the impact of IFRS 10 Consolidated Financial Statements on its results, financial position and cash flows and related disclosures. With the exception of IFRS 10 Consolidated Financial Statements, the directors do not anticipate that the adoption of these new standards and interpretations will have a material impact of the E5 Group's financial statements in the period of initial application when the relevant standards come into effect for the periods commencing on or after 1 January 2012.

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

***Critical judgments in applying the E5 Group's accounting policies***

In the application of the E5 Group's accounting policies, which are described in note 2, the directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis.

***Key sources of estimation uncertainty***

The following is the critical judgment that the directors have made in the process of applying the E5 Group's accounting policies that has the most significant effect on the amounts recognised in the historical financial information.

***Useful economic life of intangibles***

Intangible assets are amortised over their useful lives. Useful lives are based on management's estimates of the period that the assets will generate revenue, which are periodically reviewed for continued appropriateness.

***Capitalised development costs***

Any internally generated intangible asset arising from the E5 Group's development projects are recognised only once all the conditions set out in the accounting policy Internally Generated Intangible Assets are met. The amortisation period of capitalised development costs is determined by reference to the expected flow of revenues from the product based on historical experience. Furthermore, the E5 Group reviews at the end of each financial year the capitalised development costs for each product for any loss of value compared to net book value at that time, based on expected future contribution less the total expected costs.

***Contingent consideration***

Fair value assessment of contingent consideration due to gimme5game shareholders requires accounting judgement. Contingent consideration is based on the directors' best estimate of future obligations that may fall due. The fair value of the consideration is obtained by discounting to present value the amounts expected to be payable in the future.

***Impairment of intangible assets***

Determining whether intangible asset is impaired requires an estimation of the value in use. The value in use calculation requires the E5 Group to estimate the future cash flows expected to arise in future periods. 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 E5 Group operations. Actual events may vary materially from management expectation.

## 5. Segmental reporting

A segment is a distinguishable component of the E5 Group that is engaged in providing products or services within a particular economic environment. The principal activities of the E5 Group are reported under one segment. This is the basis on which the management analyses E5 Group's performance. The E5 Group generates its results predominantly in one geographical segment within the United Kingdom. Additionally majority of its non-current assets are based in the United Kingdom. No customer generates more than 10 per cent. of the revenue.

## 6. Loss from operations

Loss from operations is arrived at after taking the following into consideration:

| | *Year ended 31 December 2009 US$* | *Year ended 31 December 2010 US$* |
|---|---|---|
| Depreciation | 2,008 | 9,062 |
| Amortisation of development costs | 69,439 | 301,382 |
| Impairment of intangible assets | – | 69,136 |
| Foreign exchange transaction loss/(gain) | – | 32,192 |
| Research and development expenses | – | 785,638 |

Analysis of auditor's remuneration is as follows:

| | *Year ended 31 December 2009 US$* | *Year ended 31 December 2010 US$* |
|---|---|---|
| Fees payable to the E5 Group's auditors for the audit of the E5 Group's financial statements | 1,250 | 78,508 |
| Fees payable to the E5 Group's auditors for other services: | – | – |
| Tax audit of the E5 Group | – | 5,400 |
| Other services | – | 185,062 |

## 7. Staff costs and employee information

| | *Year ended 31 December 2009 US$* | *Year ended 31 December 2010 US$* |
|---|---|---|
| Staff costs (including directors) comprise | | |
| Wages and salaries | 268,524 | 1,340,110 |
| Social security costs | 31,155 | 148,369 |
| Contractor costs | 237,527 | 563,736 |
| **Staff costs** | 537,206 | 2,052,215 |

The average number of persons, including executive directors, employed by the E5 Group during the year was:

| | *Year ended 31 December 2009 US$* | *Year ended 31 December 2010 US$* |
|---|---|---|
| By activity | | |
| Finance and executive management | 3 | 3 |
| Platform and product development | 5 | 18 |
| Sales and marketing | 1 | 2 |
| | 9 | 23 |

### 7. Staff costs and employee information (continued)

**Directors and key management personnel remuneration**

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the E5 Group. Key management personnel include directors of the E5 Group.

| | *Year ended 31 December 2009 US$* | *Year ended 31 December 2010 US$* |
|---|---|---|
| Salaries and fees | 123,947 | 471,746 |
| Social security costs | 14,744 | 55,596 |
| | 138,691 | 527,342 |

### 8. Finance income

| | *Year ended 31 December 2009 US$* | *Year ended 31 December 2010 US$* |
|---|---|---|
| Bank interest receivable | 228 | 5 |
| | 228 | 5 |

### 9. Finance expense

| | *Year ended 31 December 2009 US$* | *Year ended 31 December 2010 US$* |
|---|---|---|
| Interest and finance charges on loans and overdrafts | – | – |
| Other interest payable | 419 | 4,271 |
| | 419 | 4,271 |

Finance charges include all fees directly incurred to facilitate borrowing. These include professional fees paid to accounting practices, bank arrangement fees and fees to secure required guarantees.

### 10. Taxation

The tax assessed on the loss on ordinary activities for the period differs from the standard rate of tax of 21 per cent. The differences are reconciled below:

| | *Year ended 31 December 2009 US$* | *Year ended 31 December 2010 US$* |
|---|---|---|
| **Loss before taxation** | (868,453) | (3,648,252) |
| Loss on ordinary activities multiplied by 21% (2009: 21%) | (182,375) | (766,133) |
| Losses not recognised | 182,375 | 766,133 |
| **Current period tax** | – | – |

## 10. Taxation (continued)

***Deferred taxation***

Deferred taxation provided in the historical financial information is nil (2009: US$nil) and the amounts not recognised are as follows:

| | *Year ended 31 December 2009 US$* | *Year ended 31 December 2010 US$* |
|---|---|---|
| Depreciation in excess of capital allowances | 908 | 15,520 |
| Losses | 182,375 | 948,508 |

The gross value of tax losses carried forward at 31 December 2010 equals US$3,648,252 (31 December 2009: US$868,453).

***Deferred tax asset***

The deferred tax asset has not been recognised on the grounds that there is insufficient evidence at the balance sheet date that it will be recoverable. The asset would start to become potentially recoverable if, and to the extent that, the E5 Group were to generate taxable income in the future.

## 11. Loss per share

| | *Year ended 31 December 2009 US$* | *Year ended 31 December 2010 US$* |
|---|---|---|
| Loss for the period | (868,453) | (3,648,252) |
| Weighted average number of shares | 5,281,166 | 12,407,037 |
| **Basic & diluted loss per share** | (0.16) | (0.29) |

At 31 December 2010, Notion Capital had a warrant to purchase 500,000 shares of our common stock at an exercise price of US$1.00 per share in connection with the share issuance that occurred in June 2010. The fair value of this warrant at the time of issuance was US$98,080, which was estimated using the Black-Scholes-Merton formula with the following assumptions: no dividends; risk-free interest rate of 1.33 per cent.; estimated life of half a year and volatility of 69 per cent. which was based on a comparison of peers in our industry due to our limited trading history. This amount was included in the net assets of the E5 Group at the date of the share exchange and thus is included within the additional paid-in-capital balance. The warrant was not exercised during the exercise period and had expired on 30 June 2011.

The authorised but not issued shares are not included in the earnings per share or diluted earnings per share. These shares have no voting rights and are non-convertible and therefore do not form part of the ordinary share capital used for the loss per share calculation.

## 12. Intangible assets

| | *Games catalogue US$* | *Internal games development costs US$* | *Outsourced games development costs US$* | *Total US$* |
|---|---|---|---|---|
| **Cost** | | | | |
| At 1 January 2009 | – | – | – | – |
| Additions | 477,840 | – | – | 477,840 |
| At 31 December 2009 | 477,840 | – | – | 477,840 |

**12. Intangible assets (continued)**

| | *Games catalogue US$* | *Internal games development costs US$* | *Outsourced games development costs US$* | *Total US$* |
|---|---|---|---|---|
| **Amortisation** | | | | |
| At 1 January 2009 | – | – | – | – |
| Effect of foreign exchange | (3,210) | – | – | (3,210) |
| Provided during the period | 69,439 | – | – | 69,439 |
| At 31 December 2009 | 66,229 | – | – | 66,229 |
| **Net book value** | | | | |
| At 1 January 2009 | – | – | – | – |
| At 31 December 2009 | 411,611 | – | – | 411,611 |
| **Cost** | | | | |
| At 1 January 2010 | 477,840 | – | – | 477,840 |
| Effect of foreign exchange | (13,709) | – | (6,497) | (20,206) |
| Additions | – | 776,468 | 554,945 | 1,331,413 |
| Impairment | – | (69,136) | – | (69,136) |
| At 31 December 2010 | 464,131 | 707,332 | 548,448 | 1,719,911 |
| **Amortisation** | | | | |
| At 1 January 2010 | 66,229 | – | – | 66,229 |
| Effect of foreign exchange | (351) | (16,718) | – | (17,069) |
| Provided during the period | 229,924 | 71,458 | – | 301,382 |
| At 31 December 2010 | 295,802 | 54,740 | – | 350,542 |
| **Net book value** | | | | |
| At 1 January 2010 | 411,611 | – | – | 411,611 |
| At 31 December 2010 | 168,329 | 652,592 | 548,448 | 1,369,369 |

On 18 September 2009, E5 acquired the assets of gimme5games.com. This acquisition was accounted for as an asset purchase in accordance with IAS 38 "Intangible Assets". E5 acquired a catalogue of 60 flash browser games, and licences for a further 40. It also acquired various software tools and technologies and a number of web domain names.

E5 included these assets at fair value on the date of acquisition, which was based on the fair value of consideration. The total consideration for the acquisition consisted of US$159,282 cash plus contingent consideration of up to US$318,560 dependent on a set of traffic targets on gimme5games.com in the 15-month period following the acquisition.

Based on management's assessment of future discounted cash flows, US$69,136 (31 December 2009: US$nil) of intangible assets was written off in 2010 in relation to two browser games.

Total research and development spend during the year ended 31 December 2010 was US$2,117,051 of which US$1,331,413 was capitalised (31 December 2009: the Company did not incur any research and development expenses).

US$55,390 of internally generated intangible assets relate to Social Network Application Platform ("SNAP"). SNAP is an in-house developed gaming platform which is designed as a shared service platform.

## 13. Property, plant and equipment

| | *Office and computer equipment US$* |
|---|---|
| **Cost** | |
| At 1 January 2009 | – |
| Effect of foreign exchange | (437) |
| Additions | 15,794 |
| At 31 December 2009 | 15,357 |
| **Depreciation** | |
| At 1 January 2009 | – |
| Effect of foreign exchange | (52) |
| Provided during the period | 2,008 |
| At 31 December 2009 | 1,956 |
| **Net book value** | |
| At 1 January 2009 | – |
| At 31 December 2009 | 13,401 |
| At 1 January 2010 | 15,357 |
| Effect of foreign exchange | (441) |
| Additions | 22,396 |
| At 31 December 2010 | 37,312 |
| **Depreciation** | |
| At 1 January 2010 | 1,956 |
| Effect of foreign exchange | (58) |
| Provided during the period | 9,062 |
| At 31 December 2010 | 10,960 |
| **Net book value** | |
| At 1 January 2010 | 13,401 |
| At 31 December 2010 | 26,352 |

## 14. Trade and other receivables

| | *As at 31 December 2009 US$* | *As at 31 December 2010 US$* |
|---|---|---|
| Trade receivables | – | 1,958 |
| VAT receivable | 37,135 | 109,461 |
| Prepayments and accrued income | 14,877 | 156,222 |
| | 52,012 | 267,641 |

The fair values of trade and other receivables are the same as book values as credit risk has been addressed as part of impairment provisioning and, due to the short term nature of the amounts receivable, they are not subject to other ongoing fluctuations in market rates.

Trade receivables net of allowances are less than 30 days old and all held in US$.

## 15. Trade and other payables

| | As at 31 December 2009 US$ | As at 31 December 2010 US$ |
|---|---|---|
| Trade payables | 38,460 | 217,880 |
| Other payables | – | 80,434 |
| Accruals | 52,587 | 439,976 |
| | 91,047 | 738,290 |

The fair values of trade and other payables are the same as book values as due to the short term nature of the amounts payable, they are not subject to other ongoing fluctuations in market rates.

The directors consider that the carrying amount of trade payables approximates to their fair value. Trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 44 days (2009: 28 days).

All financial liabilities have maturity days of less than 30 days.

## 16. Contingent consideration

The amounts classified as contingent consideration on the statement of financial position represents amounts payable to shareholders of gimme5games which was acquired in August 2009.

| | As at 31 December 2009 US$ | As at 31 December 2010 US$ |
|---|---|---|
| Balance at beginning of the period | – | 318,560 |
| Effect of foreign exchange | – | (5,408) |
| Provision raised during the period | 318,560 | – |
| Amounts paid during the period | – | (65,616) |
| Balance at the end of the period | 318,560 | 247,536 |
| Classified as current liabilities | 318,560 | 247,536 |

## 17. Financial instruments

***Capital risk management***

The E5 Group uses various financial instruments, including cash, trade receivables and trade payables to finance the E5 Group's operations. Working capital requirements are managed to maintain sufficient cash resources to enable the E5 Group to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The existence of these financial instruments exposes the E5 Group to a number of financial risks, the principal one being liquidity risk. The directors review and agree policies for managing these risks and they are summarised below. These policies have remained unchanged from previous years.

The E5 Group's capital structure is as follows:

| | As at 31 December 2009 US$ | As at 31 December 2010 US$ |
|---|---|---|
| Cash and cash equivalents | 226,736 | 838,796 |
| Total equity | 294,153 | 1,516,332 |
| **Capital employed** | 520,889 | 2,355,128 |

## 17. Financial instruments (continued)

***Externally imposed capital requirement***

The E5 Group is not subject to externally imposed capital requirements.

***Significant accounting policies***

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 2 to the historical financial information. Further details on critical accounting judgments and estimation uncertainty are detailed in note 4.

***Categories of financial instruments***

The disclosures detailed below are as required by IFRS 7 Financial Instruments: Disclosures. The carrying amounts presented on the Balance Sheet relate to the following categories of assets and liabilities:

| | *As at 31 December 2009 US$* | *As at 31 December 2010 US$* |
|---|---|---|
| **Financial assets** | | |
| Loans and receivables | – | – |
| Trade and other receivables | – | 1,958 |
| Cash and cash equivalents | 226,736 | 838,796 |
| Rent deposit and accrued income | 14,877 | 156,222 |
| **Financial liabilities at amortised cost** | | |
| Trade and other payables | 91,047 | 738,290 |
| Contingent liability | 318,560 | 247,536 |

***Financial risk management objectives***

The E5 Group monitors and manages the risks relating to the financial instruments held. The principal risks include currency risk (on financial assets and trade payables), credit risk (on financial assets) and interest rate risk (on financial assets and borrowings). These risks are discussed in further detail below. By virtue of the nature of the E5 Group's operations, it is generally not exposed to price risk. It is not the E5 Group's policy to trade in financial instruments.

***Market risk***

The E5 Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The E5 Group does not use forward foreign exchange contracts to hedge exchange rate risk.

***Foreign currency risk management***

The E5 Group has undertaken certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. During the year ended 31 December 2009 and the year ended 31 December 2010 the E5 Group has not utilised forward exchange contracts to manage exchange rate exposures.

## 17. Financial instruments (continued)

The carrying amounts of the E5 Group's material currency denominated monetary assets and monetary liabilities at the reporting date are in following currencies:

| | *31 December 2009 US$* | *31 December 2010 US$* |
|---|---|---|
| **Liabilities** | | |
| US$ denominated liabilities | 1,628 | 51,564 |
| GBP denominated liabilities | 385,048 | 934,173 |
| **Assets** | | |
| US$ denominated assets | – | 728,740 |
| GBP denominated assets | – | 190,140 |
| EURO denominated assets | – | 1,958 |

***Foreign currency sensitivity analysis***

The following table details the E5 Group's sensitivity to a 10 per cent. increase and decrease in Sterling against the US$. The sensitivity analysis includes only outstanding US$ denominated monetary items and adjusts their translation at the period end for a 10 per cent. change in the US$/Sterling rate. A positive number below indicates an increase in profit and other equity where Sterling strengthens 10 per cent. against the relevant currency. For a 10 per cent. weakening of Sterling against the relevant currency, there would be an equal and opposite impact on the profit and other equity, and the balances below would be negative. The sensitivities below are based on the exchange rates at the balance sheet used to convert the asset or liability to sterling.

| | *2010 US$* |
|---|---|
| Profit and Loss Impact | 67,709 |

As at 31 December 2009 the profit loss impact of sensitivity to a 10 per cent. change in Sterling against US$ was immaterial.

***Interest rate risk management***

At 31 December 2010 and 31 December 2009 exposure to interest rate risk was limited as the E5 Group did not have any loans or borrowings.

***Credit risk management***

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the E5 Group. The E5 Group faces exposure to credit risk on its trade receivables and cash equivalents.

The risk of financial loss arising from defaults on trade receivables is mitigated by the E5 Group using a credit approval process to assess the potential customers' credit quality and also establishes credit limits by customer. The limits and credit scores attributed to customers is reviewed bi-annually however, the sales ledger is reviewed at least monthly to ensure all receivables are recoverable.

## 17. Financial instruments (continued)

***Credit risk management (continued)***

Please refer to note 14 for further details on trade receivables, including analyses of bad debts, ageing and profile by currency. The E5 Group believes the credit risk on liquid funds, being cash and cash equivalents, to be limited because the counterparties are banks with high-credit ratings assigned by international credit-rating agencies. However, the concentration of credit risk by counterparty does exceed 10 per cent. of the overall cash and cash equivalents balance.

***Liquidity risk management***

Liquidity risk arises from the E5 Group's management of working capital. It is the risk that the E5 Group will encounter difficulty in meeting its financial obligations as they fall due.

The E5 Group manages liquidity risk by maintaining adequate reserves and banking facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. As part of this monitoring the E5 Group ensures that the financial liabilities due to be paid can be met by existing cash and cash equivalents, forecasted receipts from customers and borrowing facilities.

## 18. Share capital

A breakdown of the authorised and issued share capital is as follows:

| | *31 December 2009* | | *31 December 2010* | |
|---|---|---|---|---|
| | *Number* | *US$* | *Number* | *US$* |
| **Authorised** | | | | |
| Ordinary shares of US$0.001 (2010: US$ 0.001) each | 200,000,000 | 200,000 | 200,000,000 | 200,000 |
| Preferred shares of US$0.001 (2010: US$0.001) each | 50,000,000 | 50,000 | 50,000,000 | 50,000 |
| **Issued** | | | | |
| Ordinary shares of US$0.001 each | | | | |
| At beginning of the period | – | – | 7,480,000 | 7,480 |
| Issued during the period | 7,480,000 | 7,480 | 6,275,500 | 6,276 |
| At end of the period | 7,480,000 | 7,480 | 13,755,500 | 13,756 |
| Preferred shares of US$0.001 (2010: US$0.001) each | – | – | – | – |

The ordinary shares have voting rights and there are no dividend restrictions attached to the shares.

Details of shares issued subsequent to 31 December 2010 are included in Note 22.

## 19. Reserves

***Share premium***

The amount subscribed for share capital in excess of nominal value.

***Foreign currency translation reserve***

This reserve relates to exchange differences arising on the translation of the balance sheet of the E5 Group at the closing rate and the translation of the income statement of the E5 Group at the average rate.

***Accumulated deficit***

Cumulative net gains and losses recognised in the consolidated statement of comprehensive income.

## 20. Notes supporting the cash flow statement

Cash and cash equivalents comprise:

| | *As at 31 December 2009 US$* | *As at 31 December 2010 US$* |
|---|---|---|
| Cash and cash equivalents | 226,736 | 838,796 |
| Net cash increase in cash and cash equivalents | 226,736 | 612,060 |
| Cash and cash equivalents at the beginning of the year | – | 226,736 |
| **Cash and cash equivalents at the end of the year** | 226,736 | 838,796 |

There were no significant non-cash transactions in the year.

***Cash and cash equivalents***

Cash and cash equivalents are held in the following currencies:

| | *As at 31 December 2009 US$* | *As at 31 December 2010 US$* |
|---|---|---|
| Pound sterling | 223,828 | 110,056 |
| US Dollars | 2,908 | 728,740 |
| **Total** | 226,736 | 838,796 |

Cash and cash equivalents comprise cash held by the E5 Group and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximates their fair value.

## 21. Related parties

At 31 December 2010 contingent consideration of US$247,536 (31 December 2009: US$318,560) was provided for, arising from the acquisition of the assets of gimme5games referred in note 16 above. This amount is payable to three individuals who are shareholders of the E5 Group. This balance is shown separately as contingent consideration on the face of the consolidated balance sheet.

At 31 December 2010 US$58,724 (31 December 2009: US$ nil) was due to directors in respect of their salaries.

## 22. Events after the balance sheet date

On 30 September 2011, the directors signed an agreement to forgo their deferred salaries.

On 22 November 2011, Zattikka Holdings Limited, a wholly owned subsidiary of Expedite 5, Inc. was liquidated.

On 30 November 2011, E5 issued 265,716 Ordinary Shares at a price of US$1.02 per share which were treated as fully paid.

## 23. First time adoption of International Financial Reporting Standards

As part of the work performed for the transition to adopt IFRS, the E5 Group carried out an assessment of differences between US Generally Accepted Accounting Principles ("US GAAP") and IFRS. The results of the assessment showed that the results of the operations, cash flows, changes in shareholders equity and net assets as previously reported under US GAAP were not affected.

# PART 5 – FINANCIAL INFORMATION ON HATTRICK HOLDINGS LIMITED

## SECTION A: ACCOUNTANT'S REPORT ON HATTRICK HOLDINGS LIMITED

BDO LLP
2 City Place
Beehive Ring Road
Gatwick
RH6 0PA

11 April 2012

The Directors
Zattikka plc
Hanover House
14 Hanover Square
London W1S 1HP

Canaccord Genuity Limited
88 Wood Street
London EC2V 7QR

Dear Sirs

**Zattikka Plc (the "Company")**

**Hattrick Holdings Limited ("Hattrick") and its subsidiaries (the "Hattrick Group")**

**Introduction**

We report on the financial information on the Hattrick Group set out in Section B of Part 5. This financial information has been prepared for inclusion in the admission document dated 11 April 2012 of Zattikka Plc (the "Admission Document") on the basis of the accounting policies set out in note 2 to the financial information. 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 item and for no other purpose. We have not audited or reviewed the financial information for the nine months ended 30 September 2010 which has been included for comparative purposes only and accordingly do not express an opinion thereon.

**Responsibilities**

The directors of the Company are responsible for preparing the financial information in accordance with International Financial Reporting Standards as adopted by the European Union.

It is our responsibility to form an opinion on the financial information and to report our opinion to you.

Save from 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 the 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 Schedule Two of the AIM Rules for Companies consenting to its inclusion in the Admission Document.

**Basis of opinion**

We conducted our work in accordance with 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 financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the 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 financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in the United States of America or other jurisdictions outside the United Kingdom and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

**Opinion**

In our opinion, the financial information gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of the Hattrick Group as at 31 December 2008, 31 December 2009, 31 December 2010 and 30 September 2011 and of its results, cash flows, recognised gains and losses, and changes in equity for the year ended 31 December 2008, the year ended 31 December 2009, the year ended 31 December 2010 and the nine month period ended 30 September 2011 in accordance with International Financial Reporting Standards as adopted by the European Union.

**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

BDO LLP
*Chartered Accountants*

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

**SECTION B: HISTORICAL FINANCIAL INFORMATION ON THE HATTRICK GROUP FOR THE YEAR ENDED 31 DECEMBER 2008, THE YEAR ENDED 31 DECEMBER 2009, THE YEAR ENDED 31 DECEMBER 2010 AND THE PERIOD ENDED 30 SEPTEMBER 2011**

The historical financial information set out below of the Hattrick Group, for the years ended 31 December 2008, 31 December 2009 and 31 December 2010 and the nine month period ended 30 September 2011 has been prepared by the directors of the Company on the basis set out in note 2.

**Hattrick Group consolidated statement of comprehensive income**

| | *Notes* | *Year ended 31 December 2008 US$* | *Year ended 31 December 2009 US$* | *Year ended 31 December 2010 US$* | *Unaudited Period ended 30 September 2010 US$* | *Period ended 30 September 2011 US$* |
|---|---|---|---|---|---|---|
| **Revenue** | 5 | 7,645,631 | 6,938,793 | 7,278,843 | 5,504,372 | 5,436,835 |
| Cost of sales | | (265,853) | (226,966) | (157,726) | (124,575) | (130,432) |
| **Gross profit** | | 7,379,778 | 6,711,827 | 7,121,117 | 5,379,797 | 5,306,403 |
| Other income | | 112,739 | 8,027 | 1,661 | 345 | 2,440 |
| Administrative expenses | | (3,476,265) | (3,532,559) | (3,821,516) | (2,915,079) | (2,637,912) |
| **Profit from operations** | 6 | 4,016,252 | 3,187,295 | 3,301,262 | 2,465,063 | 2,670,931 |
| Finance costs | | (135) | – | (462) | (457) | – |
| **Profit before tax** | | 4,016,117 | 3,187,295 | 3,300,800 | 2,464,606 | 2,670,931 |
| Tax expense | 11 | (834) | (704) | (11,456) | – | (68,609) |
| **Profit for the period** | | 4,015,283 | 3,186,591 | 3,289,344 | 2,464,606 | 2,602,322 |
| **Other comprehensive income** | | | | | | |
| Currency translation differences | | 71,939 | (98,816) | 29,497 | 198 | (34,815) |
| Available for sale fair value adjustment | | – | – | – | – | (161,528) |
| **Total comprehensive income for the period attributable to the owners of the parent** | | 4,087,222 | 3,087,775 | 3,318,841 | 2,464,804 | 2,405,979 |

The revenue and profit on ordinary activities relate entirely to continuing activities.

**Hattrick Group consolidated statement of financial position**

| | *Notes* | *31 December 2008 US$* | *31 December 2009 US$* | *31 December 2010 US$* | *30 September 2011 US$* |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **Non-current assets** | | | | | |
| Property, plant and equipment | 8 | 130,003 | 263,222 | 154,741 | 70,741 |
| Other intangible assets | 9 | 352,886 | 348,157 | 286,935 | 407,020 |
| Available for sale financial assets | 10 | – | – | 161,528 | – |
| **Total non-current assets** | | 482,889 | 611,379 | 603,204 | 477,761 |
| **Current assets** | | | | | |
| Inventories | 12 | 106,474 | 83,827 | 104,778 | 122,147 |
| Trade and other receivables | 13 | 478,352 | 270,835 | 357,490 | 682,163 |
| Cash and cash equivalents | 14 | 811,711 | 2,336,501 | 2,231,305 | 3,044,214 |
| **Total current assets** | | 1,396,537 | 2,691,163 | 2,693,573 | 3,848,524 |
| **TOTAL ASSETS** | | 1,879,426 | 3,302,542 | 3,296,777 | 4,326,285 |
| **Current liabilities** | | | | | |
| Trade and other payables | 16 | (2,817,258) | (3,814,557) | (3,020,580) | (3,118,931) |
| **TOTAL LIABILITIES** | | (2,817,258) | (3,814,557) | (3,020,580) | (3,118,931) |
| **NET (LIABILITIES)/ASSETS** | | (937,832) | (512,015) | 276,197 | 1,207,354 |
| **EQUITY** | | | | | |
| **Equity attributable to equity holders of the parent** | | | | | |
| Share capital | 15 | 3,959 | 3,959 | 3,959 | 3,959 |
| Retained earnings | | (1,013,730) | (489,097) | 269,618 | 1,235,590 |
| Foreign exchange reserve | | 71,939 | (26,877) | 2,620 | (32,195) |
| **TOTAL EQUITY** | | (937,832) | (512,015) | 276,197 | 1,207,354 |

### Hattrick Group consolidated cash flow statements

| | Year ended 31 December 2008 US$ | Year ended 31 December 2009 US$ | Year ended 31 December 2010 US$ | Unaudited Period ended 30 September 2010 US$ | Period ended 30 September 2011 US$ |
|---|---|---|---|---|---|
| **Cash flows from operating activities** | | | | | |
| Net profit before taxation | 4,016,117 | 3,187,295 | 3,300,800 | 2,464,606 | 2,670,931 |
| Adjustments for: | | | | | |
| Depreciation and amortisation | 276,754 | 185,096 | 234,631 | 172,619 | 150,438 |
| | 4,292,871 | 3,372,391 | 3,535,431 | 2,637,225 | 2,821,369 |
| (Increase)/decrease in inventories | (63,179) | 22,647 | (20,951) | (11,774) | (17,369) |
| (Increase)/decrease in trade and other receivables | 363,066 | 207,519 | (86,655) | 30,820 | (324,673) |
| Increase/(decrease) in trade and other payables | 11,398 | 997,299 | (793,976) | (853,501) | 103,298 |
| **Cash generated from operations** | 4,604,156 | 4,599,856 | 2,633,849 | 1,802,770 | 2,582,625 |
| Taxation paid | (834) | (704) | (11,456) | – | (68,609) |
| **Net cash generated from operating activities** | 4,603,322 | 4,599,152 | 2,622,393 | 1,802,770 | 2,514,016 |
| **Cash flows from investing activities** | | | | | |
| Purchase of property, plant and equipment and intangible fixed assets | (510,101) | (251,975) | (85,554) | (111,281) | (190,110) |
| Purchase of investments | – | – | (159,391) | – | – |
| **Net cash used in investing activities** | (510,101) | (251,975) | (244,945) | (111,281) | (190,110) |
| **Cash flows from financing activities** | | | | | |
| Disposal of investments | 614,577 | – | – | – | – |
| Dividends paid | (8,123,208) | (2,661,958) | (2,530,629) | – | (1,474,822) |
| **Net cash used in financing activities** | (7,508,631) | (2,661,958) | (2,530,629) | – | (1,474,822) |
| **Net (decrease)/increase in cash and cash equivalents** | (3,415,410) | 1,685,219 | (153,181) | 1,691,489 | 849,084 |
| Cash and cash equivalents at the beginning of the period | 3,380,937 | 811,711 | 2,336,501 | 2,336,501 | 2,231,305 |
| Exchange movement on cash and cash equivalents | 846,184 | (160,429) | 47,985 | 258,323 | (36,175) |
| **Cash and cash equivalents at the end of the period** | 811,711 | 2,336,501 | 2,231,305 | 4,286,313 | 3,044,214 |

**Hattrick Group consolidated statement of changes in equity**

| | *Share capital US$* | *Retained earnings US$* | *Foreign exchange reserve US$* | *Total US$* |
|---|---|---|---|---|
| **Balance at 1 January 2008** | 3,959 | 3,094,195 | – | 3,098,154 |
| Total comprehensive income for the year | – | 4,015,283 | 71,939 | 4,087,222 |
| Dividends | – | (8,123,208) | – | (8,123,208) |
| **Balance at 31 December 2008** | 3,959 | (1,013,730) | 71,939 | (937,832) |
| Total comprehensive income for the year | – | 3,186,591 | (98,816) | 3,087,775 |
| Dividends | – | (2,661,958) | – | (2,661,958) |
| **Balance at 31 December 2009** | 3,959 | (489,097) | (26,877) | (512,015) |
| Total comprehensive income for the year | – | 3,289,344 | 29,497 | 3,318,841 |
| Dividends | – | (2,530,629) | – | (2,530,629) |
| **Balance at 31 December 2010** | 3,959 | 269,618 | 2,620 | 276,197 |
| Total comprehensive income for the year | – | 2,440,794 | (34,815) | 2,405,979 |
| Dividends | – | (1,474,822) | – | (1,474,822) |
| **Balance at 30 September 2011** | 3,959 | 1,235,590 | (32,195) | 1,207,354 |

## Notes to the consolidated historical financial information

### 1. General information

The consolidated historical financial information is presented in United States Dollars ("US$"). It comprises the historical financial information of Hattrick and its subsidiaries (together 'the Hattrick Group') and the Hattrick Group's interests in associated entities. Except where otherwise indicated, all financial information presented in US$ has been rounded to the nearest dollar.

The continuing activities of Hattrick and its subsidiaries are the development of the Internet game Hattrick which has been online since 1997. The aim of Hattrick Limited continues to be to develop online computer games. Hattrick is a virtual football world where the player is the manager of a professional Club team. The Club plays matches against other teams in the game and each country has its own league system. The manager has the responsibility of coaching his team; buying and selling players, organising the club, handling the club's finances and much more. The game is free in its basic version and has today approximately 2,000,000 active players (it was 200,000 about five years ago) in over 70 countries. Hattrick is managed by various developers and computer systems administrators, who are subcontracted by the Gibraltar management. The game has 250 Game Masters around the world that help manage the game as a hobby (no fees are paid). They are incentivised by organised events and conventions during each year. It would not be possible to run the game without these Game Masters. The main source of income from the game is a service called "Supporter", which among other things, provides the player with additional statistics around teams, players, matches and leagues and enables the player to join different communities. The Supporter subscribers have no advantages over non-subscribers in the game outcomes. There are approximately 200,000 players who pay for Supporter at present. Players can also pay for getting information about their team and players in their mobile phone via text messages. The web page includes a small online shop with Hattrick related clothes and recently a new Board game with 15,000 copies initially printed.

### 2. Basis of preparation

The financial information has been prepared on the basis of the accounting policies set out in note 3.

(a) ***Statement of compliance***

The consolidated historical financial information has been prepared in accordance with International Financial Reporting Standards and interpretations (collectively "IFRS") issued by the International Accounting Standards Board ("IASB") as adopted by the European Union and in accordance with Gibraltar law.

(b) ***Functional and presentational currency***

The directors have chosen to present the historical financial information in United States Dollars (US$). The functional currency of the Hattrick Group is British Pounds (GBP).

(c) ***Use of estimates and judgements***

The preparation of historical financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The estimates and assumptions which have a significant risk of resulting in a material adjustment to the carrying value of assets and liabilities are included in the following notes:

**2. Basis of preparation (continued)**

(c) ***Use of estimates and judgements (continued)***

*Taxation*

The Hattrick Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain; such determination being made by the relevant taxing authorities. The Hattrick Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be found to be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made. Where considered necessary estimates are developed by management based on external specialist advice.

**3. Significant accounting policies**

(a) ***Basis of consolidation***

Hattrick Holdings Limited was incorporated with the sole purpose of acquiring its controlling interest in its directly held, wholly owned, subsidiary, Hattrick Limited. Hattrick Limited was acquired through a transaction under common control, as defined in IFRS 3 Business Combinations. As a result of the transaction, the equity shareholders of Hattrick Limited became the equity shareholders of Hattrick Holdings Limited. The directors note that transactions under common control and those that involve a new shell company with no business of its own acquiring a controlling interest in an existing entity, are outside the scope of IFRS 3 and that there is no guidance elsewhere in IFRS covering such transactions.

IFRS contains specific guidance to be followed where a transaction falls outside the scope of IFRS. This guidance is included at paragraphs 10 to 12 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. This requires, *inter alia*, that where IFRS does not include guidance for a particular issue, the directors may also consider the most recent pronouncements of other standard setting bodies that use a similar conceptual framework to develop accounting standards. In this regard it is noted that the UK Accounting Standards Board (ASB) has issued an accounting standard covering acquisitions and mergers (FRS 6). FRS 6 allows for merger accounting to be applied where two or more companies are combined to form one group on terms such that the equity shareholders in each company become the equity shareholders in the combined entity.

Having considered the requirements of IAS 8, and the guidance included within FRS 6, it is considered appropriate to apply an accounting treatment similar to "merger accounting" as described by FRS 6 when dealing with the transaction in which the company acquired its controlling interest in Hattrick Limited (together the "Hattrick Group") in order to provide a true and fair view. The effect of the above is:

(a) new shares issued by Hattrick Holdings Limited as consideration for the merger are recorded at their nominal amount in books of the company;

(b) no amount is recognised as consideration for goodwill or negative goodwill; and

(c) the consolidated profit and loss includes profits of each company for the entire period, regardless of the date of the merger, and the comparative amounts in the consolidated accounts are restated to the aggregate of the amounts recorded by the two companies.

(i) *Subsidiaries*

Subsidiaries are entities controlled by the Hattrick Group. Control exists when the Hattrick Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated historical financial information from the date that control commences until the date that control ceases.

3. **Significant accounting policies (continued)**

(a) ***Basis of consolidation (continued)***

(ii) *Transactions eliminated on consolidation*

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions are eliminated in preparing the consolidated historical financial information.

(b) ***Foreign currency***

(i) *Foreign currency transactions*

Transactions entered into by Group entities in a currency other than the currency of the primary economic environment in which they operate (their "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the reporting date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised immediately in profit or loss.

On consolidation, the results of overseas operations are translated into US$ at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income and accumulated in the foreign exchange reserve.

On disposal of a foreign operation, the cumulative exchange differences recognised in the foreign exchange reserve relating to that operation up to the date of disposal are transferred to the consolidated statement of comprehensive income as part of the profit or loss on disposal.

(c) ***Revenue***

Income represents charges received from game users for non-basic features and rights. Also included is commissions received from betting trading granted under license to third party providers and sales of game related products. The main categories of game related products are subscriptions for three months or one year to special non basic rights, such as receiving regular text messages, sale of merchandising products such as clothing and hats, and credits for special features of the game. Advertising revenue for provision of links and banner advertising on the Hattrick Group websites is recognised when received, except for longer term contracts for sub selling of space, which are accounted for when reported.

(d) ***Deferred income***

Any portions of receipts that relate to services which expire in the following year are excluded from revenue and shown under deferred income in note 16. Deferred income relates to the element of fixed fee income that has been billed in advance which has not been earned as at the balance sheet date and is released over the period to which it relates.

(e) ***Property, plant and equipment***

(i) *Recognition and measurement*

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset and bringing it into use.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within other income in profit or loss.

3. **Significant accounting policies (continued)**

(e) ***Property, plant and equipment (continued)***

(ii) *Depreciation*

Depreciation is recognised in the statement of comprehensive income on a straight line basis over the estimated useful lives of each part of an item of property, plant and equipment. Depreciation commences once assets are in use.

The rates in use on a straight line basis are as follows:

| | |
|---|---|
| Computer equipment | 3 years |
| Motor vehicles | 4 years |
| Office equipment | 5 years |

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

(f) ***Financial instruments***

Financial instruments, other than derivative financial instruments, are recognised on the Hattrick Group's statement of financial position when the Hattrick Group becomes a party to the contractual provisions of the instrument. Financial instruments are initially measured at fair value, which generally equates to acquisition cost, which includes transaction costs for financial instruments not subsequently measured at fair value. Subsequent to initial recognition, they are measured as set out below.

(i) *Loans and receivables*

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables comprise trade and other receivables and are recognised initially at fair value and subsequently at amortised cost. Generally, this results in their recognition at nominal value less any allowance for any doubtful debts.

(ii) *Available for sale financial assets*

Strategic investments in entities not qualifying as subsidiaries, associates or jointly controlled entities are classified as available for sale financial assets. These are carried at fair value with changes in fair value recognised in other comprehensive income.

(iii) *Other financial liabilities*

Other financial liabilities include trade payables and related party loans and other short-term monetary liabilities, which are initially recognised at fair value and then carried at amortised cost.

Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign exchange gains and losses on available-for-sale monetary items that are recognised in profit or loss, are recognised as part of other comprehensive income. When an investment is derecognised, the cumulative gain or loss previously recognised as other comprehensive income is transferred to profit or loss.

(iv) *Cash and cash equivalents*

Cash and cash equivalents in the balance sheet comprise cash at banks and in hand with an original maturity of three months or less.

(v) *Share capital*

Ordinary shares are classified as equity. Costs directly attributable to the issue of the shares are recognised as a deduction from equity.

**3. Significant accounting policies (continued)**

(g) ***Finance Cost***

Finance expense comprises interest on borrowings. Interest expense is charged to the statement of comprehensive income using the effective interest method.

(h) ***Income tax expense***

The Hattrick Group was granted exempt status under the Gibraltar Companies (Taxation and Concessions) Act. Under such a status, including the payment of an annual government charge of £450 it will not be subject to Gibraltar Corporation Tax until January 2011, the date at which the status of all Gibraltar exempt companies will be subject to the Gibraltar Tax Act 2010.

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the statement of comprehensive income.

Current tax is the expected tax payable on the taxable income for the year using enacted tax rates, updated for previous period adjustments.

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the balance sheet differs from its tax base. It is accounted for using the liability method. Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised. Such assets and liabilities are not recognised if the temporary differences arise 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. The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the statement of financial position date and are expected to apply when the deferred tax liabilities/assets are settled/recovered.

(i) ***Intangible assets***

Intangible assets relate to the rights to operate, manage and develop the internet game known as Hattrick. Depreciation is provided so as to write-off the cost by equal instalments over the expected economic life of the game. The directors' estimate of the period over which the game will generate profits is as follows:

| | |
|---|---|
| Trademarks, intellectual property and new domains for games | 10 years |

Expenditure incurred on development activities are capitalised only when the expenditure will lead to new or substantially improved products or processes, the products or processes are technically and commercially feasible and the Hattrick Group has sufficient resources to complete development. All other development expenditure is expensed. Subsequent expenditure on capitalised intangible assets is capitalised only where it clearly increases the economic benefits to be derived from the asset to which it relates. The Hattrick Group estimates the useful life of these assets as 10 years.

(j) ***Impairment***

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. Losses are recognised in the statement of comprehensive income.

## 3. Significant accounting policies (continued)

(j) ***Impairment (continued)***

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. The decrease in impairment loss is reversed through the statement of comprehensive income.

The carrying amounts of the Hattrick Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives, the recoverable amount is estimated at each reporting date.

(k) ***Provisions***

Provisions are recognised when there is a present legal or constructive obligation as a result of a past event, for which it is probable that an outflow of economic benefits will be required to settle the obligation, and where a reliable estimate can be made of the amount of the obligation.

(l) ***Inventories***

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct purchases of game related merchandise and related products.

(m) ***Dividend distributions***

Dividend distribution to Hattrick's shareholders is recognised as a liability in the Hattrick Group's financial statements in the period in which the dividends are approved by Hattrick's shareholders.

(n) ***New standards and interpretations adopted by the Hattrick Group***

The Hattrick Group has adopted the following new and amended IFRSs as of 1 January 2011

- IFRS 7 "Financial Instruments: Disclosures" – Amendments resulting from May 2010 Annual Improvements to IFRSs, Amendments enhancing disclosures about transfers of financial assets
- IAS 1 "Presentation of Financial Statements" – Amendments resulting from May 2010 Annual Improvements to IFRSs
- IAS 24 "Related Party Disclosures" – Revised definition of related parties

There has been no significant effect on the Hattrick Group in adopting these standards.

(o) ***Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Hattrick Group***

- IAS 1 "Presentation of Financial Statements" – Amendments to revise the way other comprehensive income is presented
- IFRS 10 "Consolidated Financial Statements"
- IFRS 11 "Joint Arrangements"
- IFRS 12 "Disclosure of Interests in Other Entities"
- IFRS 13 "Fair Value Measurement"
- IAS 27 "Consolidated and Separate Financial Statements" – Reissued as IAS 27 Separate Financial Statements (as amended in 2011)
- IAS 28 "Investment in Associates" – Reissued as IAS 28 Investments in Associates and Joint Ventures (as amended in 2011)

### 3. Significant accounting policies (continued)

(o) ***Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Hattrick Group (continued)***

- IFRIC 14 "IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction" – November 2009 Amendments with respect to voluntary prepaid contributions

- IFRS 9 "Financial Instruments"

In addition a number of new standards, amendments to standards and interpretations are not yet effective for the period ended 30 September 2011, and have not been applied in preparing this consolidated historical financial information. None of these are expected to have an effect on the consolidated historical financial information of the Hattrick Group.

### 4. Determination of fair values

A number of the Hattrick Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(a) ***Investments***

The fair value of investments is based on the carrying value of those investments as assessed by the directors.

(b) ***Property, plant and equipment***

The fair value of property, plant and equipment recognised as a result of a business combination is based on carrying values. The carrying value of items of plant and equipment has been assessed as equal to its fair value.

### 5. Segmental information

Segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the management team comprising of the Chief Executive Officer. For management purposes revenue for the Hattrick Group is currently reported by stream, being Hattrick, Popmundo and Advertising.

| | *Year ended 31 December 2008 US$* | *Year ended 31 December 2009 US$* | *Year ended 31 December 2010 US$* | *Unaudited Period ended 30 September 2010 US$* | *Period ended 30 September 2011 US$* |
|---|---|---|---|---|---|
| Hattrick | 6,402,619 | 6,373,890 | 6,279,379 | 4,793,071 | 4,487,912 |
| Popmundo | 485,384 | 456,083 | 593,226 | 460,568 | 458,716 |
| Advertising | 125,977 | 108,820 | 406,238 | 250,733 | 490,207 |
| Other | 631,651 | – | – | – | – |
| | 7,645,631 | 6,938,793 | 7,278,843 | 5,504,372 | 5,436,835 |

In the opinion of the directors the Hattrick Group has only one segment and reports and operated internally as a single segment in both the current and prior reporting periods.

Analysis of revenue across the Hattrick Group has been presented purely as additional information and these revenue streams do not constitute separate operating segments for the purposes of IFRS 8 "Operating Segments".

Additionally majority of its non-current assets are based in Gibraltar. No customer generates more than 10 per cent. of the revenue.

## 6. Profit from operations

| | Year ended 31 December 2008 US$ | Year ended 31 December 2009 US$ | Year ended 31 December 2010 US$ | Unaudited Period ended 30 September 2010 US$ | Period ended 30 September 2011 US$ |
|---|---|---|---|---|---|
| **Profit from operations is shown after charging:** | | | | | |
| Depreciation and amortisation of fixed assets | 276,754 | 185,096 | 234,631 | 172,619 | 150,438 |
| Software development costs | 1,517,113 | 1,513,071 | 1,122,907 | 909,793 | 11,106 |
| Auditor's remuneration | 9,263 | 7,825 | 7,725 | 5,749 | 6,051 |

## 7. Administrative expenses

Included within administrative expenses are personnel costs as follows:

| | Year ended 31 December 2008 US$ | Year ended 31 December 2009 US$ | Year ended 31 December 2010 US$ | Unaudited Period ended 30 September 2010 US$ | Period ended 30 September 2011 US$ |
|---|---|---|---|---|---|
| Salaries and social insurance for staff | 90,248 | 124,851 | 452,334 | 386,874 | 1,069,855 |
| Directors remuneration and bonuses | 38,905 | 50,550 | 180,073 | 69,255 | 81,066 |
| **Average number of employees:** | | | | | |
| Average number of employees (excluding directors) | 1 | 1 | 15 | 15 | 15 |

The key management personnel are those persons having authority to control the activities of the Hattrick Group and are solely the directors of the Hattrick Group.

## 8. Property, plant and equipment

| | Motor vehicles US$ | Computer equipment US$ | Office equipment US$ | Total US$ |
|---|---|---|---|---|
| **Net book value** | | | | |
| **As at 1 January 2008** | – | 210,046 | 16,379 | 226,425 |
| **Cost** | | | | |
| Balance brought forward | – | 992,895 | 23,141 | 1,016,036 |
| Acquired during the year | – | 195,306 | – | 195,306 |
| Exchange differences | – | (315,489) | (6,334) | (321,823) |
| | – | 872,712 | 16,807 | 889,519 |
| **Depreciation** | | | | |
| Balance brought forward | – | 782,849 | 6,762 | 789,611 |
| Charged during the year | – | 235,333 | 4,363 | 239,696 |
| Exchange differences | – | (266,963) | (2,828) | (269,791) |
| | – | 751,219 | 8,297 | 759,516 |
| **Net book value** | | | | |
| **As at 31 December 2008** | – | 121,493 | 8,510 | 130,003 |

## 8. Property, plant and equipment (continued)

| | *Motor vehicles US$* | *Computer equipment US$* | *Office equipment US$* | *Total US$* |
|---|---|---|---|---|
| **Cost** | | | | |
| Balance brought forward | – | 872,712 | 16,807 | 889,519 |
| Acquired during the year | 28,170 | 219,922 | – | 248,092 |
| Exchange differences | 897 | 114,502 | 2,071 | 117,470 |
| | 29,067 | 1,207,136 | 18,878 | 1,255,081 |
| **Depreciation** | | | | |
| Balance brought forward | – | 751,219 | 8,297 | 759,516 |
| Charged during the year | 7,043 | 123,765 | 3,697 | 134,505 |
| Exchange differences | 224 | 96,474 | 1,140 | 97,838 |
| | 7,267 | 971,458 | 13,134 | 991,859 |
| **Net book value** | | | | |
| **As at 31 December 2009** | 21,800 | 235,678 | 5,744 | 263,222 |
| **Cost** | | | | |
| Balance brought forward | 29,067 | 1,207,136 | 18,878 | 1,255,081 |
| Acquired during the year | – | 85,554 | – | 85,554 |
| Exchange differences | (885) | (35,631) | (576) | (37,092) |
| | 28,182 | 1,257,059 | 18,302 | 1,303,543 |
| **Depreciation** | | | | |
| Balance brought forward | 7,267 | 971,458 | 13,134 | 991,859 |
| Charged during the year | 6,952 | 174,082 | 3,652 | 184,686 |
| Exchange differences | (128) | (27,264) | (351) | (27,743) |
| | 14,091 | 1,118,276 | 16,435 | 1,148,802 |
| **Net book value** | | | | |
| **As at 31 December 2010** | 14,091 | 138,783 | 1,867 | 154,741 |
| **Cost** | | | | |
| Balance brought forward | 28,182 | 1,257,059 | 18,302 | 1,303,543 |
| Acquired during the year | 6,776 | – | – | 6,776 |
| Exchange differences | (376) | (6,303) | (91) | (6,770) |
| | 34,582 | 1,250,756 | 18,211 | 1,303,549 |
| **Depreciation** | | | | |
| Balance brought forward | 14,091 | 1,118,276 | 16,435 | 1,148,802 |
| Charged during the year | 5,446 | 85,610 | 1,925 | 92,981 |
| Exchange differences | (259) | (8,567) | (149) | (8,975) |
| | 19,278 | 1,195,319 | 18,211 | 1,232,808 |
| **Net book value** | | | | |
| **As at 30 September 2011** | 15,304 | 55,437 | – | 70,741 |

## 9. Intangible non-current assets

| | Trademark Hattrick Café US$ | Intellectual property US$ | New domain for game US$ | Total US$ |
|---|---|---|---|---|
| **Net book value** | | | | |
| **As at 1 January 2008** | – | 183,265 | 5,834 | 189,099 |
| **Cost** | | | | |
| Balance brought forward | – | 301,858 | 6,141 | 307,999 |
| Expenditure during the year | 14,587 | 297,290 | 2,918 | 314,795 |
| Exchange difference | (3,266) | (149,190) | (2,335) | (154,791) |
| | 11,321 | 449,958 | 6,724 | 468,003 |
| **Amortisation** | | | | |
| Balance brought forward | – | 118,593 | 307 | 118,900 |
| Charged during the year | 584 | 35,607 | 867 | 37,058 |
| Exchange difference | (131) | (40,432) | (278) | (40,841) |
| | 453 | 113,768 | 896 | 115,117 |
| **Net book value** | | | | |
| **As at 31 December 2008** | 10,868 | 336,190 | 5,828 | 352,886 |
| **Cost** | | | | |
| Balance brought forward | 11,321 | 449,958 | 6,724 | 468,003 |
| Expenditure during the year | – | 3,883 | – | 3,883 |
| Exchange difference | 1,394 | 55,547 | 829 | 57,770 |
| | 12,715 | 509,388 | 7,553 | 529,656 |
| **Amortisation** | | | | |
| Balance brought forward | 453 | 113,768 | 896 | 115,117 |
| Charged during the year | 493 | 49,367 | 732 | 50,592 |
| Exchange difference | 71 | 15,585 | 134 | 15,790 |
| | 1,017 | 178,720 | 1,762 | 181,499 |
| **Net book value** | | | | |
| **As at 31 December 2009** | 11,698 | 330,668 | 5,791 | 348,157 |
| **Cost** | | | | |
| Balance brought forward | 12,715 | 509,388 | 7,553 | 529,656 |
| Expenditure during the year | – | – | – | – |
| Exchange difference | (387) | (15,520) | (230) | (16,137) |
| | 12,328 | 493,868 | 7,323 | 513,519 |
| **Amortisation** | | | | |
| Balance brought forward | 1,017 | 178,720 | 1,762 | 181,499 |
| Charged during the year | 482 | 48,740 | 723 | 49,945 |
| Exchange difference | (24) | (4,792) | (44) | (4,860) |
| | 1,475 | 222,668 | 2,441 | 226,584 |
| **Net book value** | | | | |
| **As at 31 December 2010** | 10,853 | 271,200 | 4,882 | 286,935 |

## 9. Intangible non-current assets (continued)

| | *Trademark Hattrick Café US$* | *Intellectual property US$* | *New domain for game US$* | *Total US$* |
|---|---|---|---|---|
| **Cost** | | | | |
| Balance brought forward | 12,328 | 493,868 | 7,323 | 513,519 |
| Expenditure during the year | – | 183,334 | – | 183,334 |
| Exchange difference | (62) | (8,816) | (37) | (8,915) |
| | 12,266 | 668,386 | 7,286 | 687,938 |
| **Amortisation** | | | | |
| Balance brought forward | 1,475 | 222,668 | 2,441 | 226,584 |
| Charged during the year | 378 | 56,513 | 566 | 57,457 |
| Exchange difference | (21) | (3,070) | (32) | (3,123) |
| | 1,832 | 276,111 | 2,975 | 280,918 |
| **Net book value** | | | | |
| **As at 30 September 2011** | 10,434 | 392,275 | 4,311 | 407,020 |

## 10. Available for sale financial assets

| | *31 December 2008 US$* | *31 December 2009 US$* | *31 December 2010 US$* | *30 September 2011 US$* |
|---|---|---|---|---|
| 15% interest in Dynastica Limited, registered in Gibraltar | – | – | 161,528 | – |

One of the Hattrick Group's strategic investments is a 15 per cent. holding in Dynastica Limited. This company is not accounted for on an equity basis as the Hattrick Group does not have the power to participate in the company's operating and financial policies, evidenced by the lack of any direct or indirect involvement at board level.

Dynastica Limited is a Gibraltar company formed in October 2010 in order to develop a new game concept which is the property of the 85 per cent. majority shareholder of this company. The Hattrick Group only holds a minority holding of 15 per cent. and it is not involved in the running of the company. No revenue has been received to date and management have decided to treat the investment as fully impaired until such time until the game becomes productive.

## 11. Tax expense

| | Year ended 31 December 2008 US$ | Year ended 31 December 2009 US$ | Year ended 31 December 2010 US$ | Period ended 30 September 2011 US$ |
|---|---|---|---|---|
| Gibraltar tax at 10% | – | – | – | 68,609 |
| Different tax rates applied in overseas jurisdictions | – | – | 10,761 | – |
| Exempt tax government charge | 834 | 704 | 695 | – |
| | 834 | 704 | 11,456 | 68,609 |
| Profit before taxation | 4,016,117 | 3,187,295 | 3,300,800 | 2,670,931 |
| Profit subject to tax multiplied by 10% (2010: nil%, 2009: nil%, 2008: nil%) | – | – | – | 267,093 |
| Income not subject to tax | – | – | – | (198,484) |
| Exempt tax government charge | 834 | 704 | 695 | – |
| Different tax rates applied in overseas jurisdictions | – | – | 10,761 | – |
| | 834 | 704 | 11,456 | 68,609 |

See note 3(h) for further information on the relevant tax rates pertaining to the Hattrick Group.

## 12. Inventories

| | 31 December 2008 US$ | 31 December 2009 US$ | 31 December 2010 US$ | 30 September 2011 US$ |
|---|---|---|---|---|
| Merchandise | 106,474 | 83,827 | 104,778 | 122,147 |

## 13. Trade and other receivables

| | 31 December 2008 US$ | 31 December 2009 US$ | 31 December 2010 US$ | 30 September 2011 US$ |
|---|---|---|---|---|
| Trade receivables | 305,249 | 125,692 | 249,538 | 331,678 |
| Related party loan | 116,612 | 86,745 | – | – |
| Deposits and recoverable amounts | 5,231 | 8,016 | 24,869 | 278,938 |
| Prepayments | 51,260 | 50,382 | 83,083 | 71,547 |
| | 478,352 | 270,835 | 357,490 | 682,163 |

The Hattrick Group does not hold any collateral security.

As at 30 September 2011 trade receivables of US$331,678 (2010: US$249,538, 2009: US$125,692, 2008: US$305,249) were past due but not impaired. They relate to customers with no default history. The ageing analysis of these receivables is as follows:

| | 31 December 2008 US$ | 31 December 2009 US$ | 31 December 2010 US$ | 30 September 2011 US$ |
|---|---|---|---|---|
| Up to 3 months | 305,249 | 125,692 | 249,538 | 331,678 |

## 14. Cash and cash equivalents

| | 31 December 2008 US$ | 31 December 2009 US$ | 31 December 2010 US$ | 30 September 2011 US$ |
|---|---|---|---|---|
| Balances with banks | 811,711 | 2,336,501 | 2,231,305 | 3,044,214 |
| Cash and cash equivalents in the statement of cash flow | 811,711 | 2,336,501 | 2,231,305 | 3,044,214 |

## 15. Capital and retained earnings

| | 31 December 2008 US$ | 31 December 2009 US$ | 31 December 2010 US$ | 30 September 2011 US$ |
|---|---|---|---|---|
| **Authorised, called up, issued and fully paid** | | | | |
| 2,000 ordinary shares of £1 each | 3,959 | 3,959 | 3,959 | 3,959 |
| **Retained earnings and dividends** | | | | |
| The following dividends were declared and paid by the Hattrick Group | 8,123,208 | 2,661,958 | 2,530,629 | 1,474,822 |
| Retained earnings for the Hattrick Group | (1,013,730) | (489,097) | 269,618 | 1,235,590 |

During the years ended 31 December 2008 and 31 December 2009, the directors declared and subsequently paid interim dividends in excess of the cumulative distributable reserves of the Hattrick Group, which is considered illegal under Gibraltar Law. This position has been reversed during 2010 following the declaration and payment of interim dividends at a level that effectively reinstated the Hattrick Group's distributable reserves.

Retained earnings are made up of profits brought forward from previous years less any dividend payments.

The foreign exchange reserve contains gains and losses on retranslating the net assets of overseas operations.

## 16. Trade and other payables

| | 31 December 2008 US$ | 31 December 2009 US$ | 31 December 2010 US$ | 30 September 2011 US$ |
|---|---|---|---|---|
| Trade payables | 282,883 | 595,565 | 103,009 | 222,300 |
| Accruals and sundry payables | 6,470 | 87,436 | 101,940 | 167,258 |
| Related party loan | 66,145 | 29,327 | 138,925 | 236,251 |
| Deferred income | 2,461,760 | 3,102,229 | 2,676,706 | 2,493,122 |
| | 2,817,258 | 3,814,557 | 3,020,580 | 3,118,931 |

Maturity analysis of the financial liabilities, excluding loans and borrowings, classified as financial liabilities measured at amortised cost, is as follows (the amounts shown are undiscounted and represent the contractual cash flows).

| | 31 December 2008 US$ | 31 December 2009 US$ | 31 December 2010 US$ | 30 September 2011 US$ |
|---|---|---|---|---|
| Up to 3 months | 355,498 | 712,328 | 343,874 | 625,809 |

## 17. Related party transactions

The loan outstanding with one of the main controlling parties, Johan Gustafsson, is interest free and arises out of an approved directors fee and travel expenses which has not been drawn during the year. The balance at the year end was US$177,299 (2010: US$115,265, 2009: US$29,327, 2008: US$66,145) due to him. A further loan to one of the shareholders, Karl Jacob Gustafsson is also interest free and the balance at the year end was US$58,952 (2010: US$23,660, 2009: US$nil, 2008: US$nil).

A loan of US$116,612 was outstanding at 31 December 2008 (2009: US$86,745) to one of the directors, Mr. Jacob Gustafsson. It carried interest at a rate of 2 per cent. per annum and was fully repaid during 2010 by applying consulting fees and approved bonuses against it.

During the period the Hattrick Group had no transactions with a related party, Extralives AB (2010: US$1,026,482, 2009: US$1,667,461, 2008: US$1,644,365) as they ceased trading with each other during 2010.

## 18. Financial instruments

***Foreign currency risk***

The Hattrick Group does not have any material loans designated in foreign currencies that are covered under forward exchange contracts.

The Hattrick Group's policy is to cover forward all trade commitments. Each subsidiary manages its own trade exposure by reference to its functional currency.

The Hattrick Group's financial risk arising from exchange rate fluctuations is mainly attributed to the fact that the subsidiaries financial statements are denominated in Swedish Krona (SEK) and that some receipts are received in other currencies such as Euro (EUR) and US Dollar (US$).

The Hattrick Group continually monitors the foreign currency risk and takes steps, where practical, to ensure that the net exposure is kept to an acceptable level, *inter alia* by using foreign exchange forward contracts designed to fix the economic impact of known liabilities. At 30 September 2011, 31 December 2010, 31 December 2009 and 31 December 2008 there were no outstanding forward contracts. There were no significant fair value movements on these contracts during the year.

## 19. Financial risk management

The Hattrick Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk
- Currency risk

This note presents information about the Hattrick Group's exposure to each of the above risks, the Hattrick Group's objectives, policies and processes for measuring and managing risk, and the Hattrick Group's management of capital. Further quantitative disclosures are included throughout the consolidated historical financial information.

The Hattrick Group's risk management policies are established to identify and analyse the risks faced by the Hattrick Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market condition and the Hattrick Group's activities. The Hattrick Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

(a) ***Liquidity risk***

Liquidity risk is the risk that the Hattrick Group will not be able to meet its financial obligations as they fall due. The Hattrick Group's approach to managing liquidity is to ensure, as far as possible, that

19. **Financial risk management (continued)**

(a) ***Liquidity risk (continued)***

it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions.

The Hattrick Group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained.

The Hattrick Group has not made any significant guarantees of third party or related party actual or potential obligations.

(b) ***Foreign currency risk***

The Hattrick Group does not have any material loans designated in foreign currencies that are covered under forward contracts.

The Hattrick Group's policy is to cover forward all trade commitments. Each subsidiary manages its own trade exposure by reference to its functional currency.

The Hattrick Group's financial risk arising from exchange rate fluctuations is mainly attributed to the fact that the subsidiaries financial statements are denominated in Swedish Krona (SEK) and that some receipts are received in other currencies such as Euro (EUR) and US Dollar (US$).

The Hattrick Group continually monitors the foreign currency risk and takes steps, where practical, to ensure that the net exposure is kept to an acceptable level.

The Hattrick Group's significant exposures to foreign currency risk at the reporting date stated at currency amounts were as follows:

| | *31 December 2008 US$* | *31 December 2009 US$* | *31 December 2010 US$* | *30 September 2011 US$* |
|---|---|---|---|---|
| **Swedish Krona (SEK)** | | | | |
| Trade and other receivables | – | – | 203,594 | 288,332 |
| Cash and cash equivalents | – | – | 238,433 | 99,839 |
| Trade and other payables | – | – | (386,074) | (300,630) |
| **Total exposure (SEK)** | – | – | 55,953 | 87,541 |

(c) ***Credit risk***

Credit risk is the risk of financial loss to the Hattrick Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Hattrick Group's receivables from clients.

(i) *Trade and other receivables*

The Hattrick Group's exposure to credit risk is influenced mainly by the individual characteristics of each client. The demographics of the Hattrick Group's client base, including the default risk of the country in which the clients operate, has less of an influence on credit risk. There is no one client to which a significant percentage of the Hattrick Group's revenue can be attributed.

Potential material areas of credit risk consist of trade accounts receivable. Trade accounts receivable consist mainly of a widespread customer base.

The Hattrick Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers. It is Hattrick Group policy to deposit short term cash investments with major institutions.

**19. Financial risk management (continued)**

(c) ***Credit risk (continued)***

*Exposure to credit risk*

The carrying amount of financial instruments represents the maximum credit exposure. The Hattrick Group's maximum exposure to credit risk at the reporting date was:

| | *31 December 2008 US$* | *31 December 2009 US$* | *31 December 2010 US$* | *30 September 2011 US$* |
|---|---|---|---|---|
| Trade and other receivables | 427,092 | 220,453 | 274,407 | 610,616 |
| Cash and cash equivalents | 811,711 | 2,336,501 | 2,231,305 | 3,044,214 |
| | 1,238,803 | 2,556,954 | 2,505,712 | 3,654,830 |

The Hattrick Group's maximum exposure to credit risks relating to one entity or group of related entities amounts to less than 10 per cent. of the overall trade receivable amount as at 30 September 2011, 31 December 2010, 31 December 2009 and 31 December 2008.

(d) ***Market risk***

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Hattrick Group's income or the value of its holdings of financial instruments. The object of market risk management is to manage and control market risk expenses within acceptable parameters, while optimising the return.

The Hattrick Group is exposed to equity securities price risk in respect of investments held by the group and classified in the consolidated statement of financial position as available-for-sale. The potential impact is not material to the affairs of the Hattrick Group.

(e) ***Capital management***

The Hattrick Board's policy is to maintain a strong capital base, which is defined as share capital and retained earnings, so as to maintain investor, creditor and market confidence and to sustain future development of the business.

(f) ***Principal financial instruments***

The principal financial instruments used by the Hattrick Group, from which financial instrument risk arises, are as follows:

- Trade and other receivables
- Cash and cash equivalents
- Trade and other payables

*Financial assets*

| | *31 December 2008 US$* | *31 December 2009 US$* | *31 December 2010 US$* | *30 September 2011 US$* |
|---|---|---|---|---|
| **Loans and other receivables** | | | | |
| Trade receivables | 427,092 | 220,453 | 274,407 | 610,616 |
| Cash and cash equivalents | 811,711 | 2,336,501 | 2,231,305 | 3,044,214 |
| **Available for sale assets** | | | | |
| Investments | – | – | 161,528 | – |
| | 1,238,803 | 2,556,954 | 2,667,240 | 3,654,830 |

### 19. Financial risk management (continued)

(f) ***Principal financial instruments (continued)***

*Financial liabilities*

| | *31 December 2008 US$* | *31 December 2009 US$* | *31 December 2010 US$* | *30 September 2011 US$* |
|---|---|---|---|---|
| **Financial liabilities at amortised cost:** | | | | |
| Trade and other payables | 355,498 | 712,328 | 343,874 | 625,809 |

### 20. Employee benefits

There are no employee benefit schemes within the Hattrick Group.

### 21. Ultimate controlling party

The ultimate controlling parties are Mr. Johan Gustaffson, Mattias Söderhielm and Anders Strom.

### 22. Events after the end of the reporting period

There have been no material events after the end of the reporting period.

### 23. Subsidiaries

The principal subsidiaries of Hattrick Group, all of which have been included in these consolidated financial statements, are as follow:

| *Name* | *Country of incorporation* | *% of equity interest Year ended 31 December 2010* | *% of equity interest Period ended 30 September 2011* |
|---|---|---|---|
| Hattrick Limited | Gibraltar | 100 | 100 |
| Spelkultur I Sverige AB* | Sweden | 100 | 100 |
| Spelkultur I Sverige AB* | Sweden | 100 | 100 |

* Held indirectly.

# PART 6 – FINANCIAL INFORMATION ON CONCEPT ART HOUSE, INC. AND ITS SUBSIDIARY UNDERTAKINGS

## SECTION A: ACCOUNTANT'S REPORT ON CONCEPT ART HOUSE, INC.

BDO LLP
2 City Place
Beehive Ring Road
Gatwick
RH6 0PA

11 April 2012

The Directors
Zattikka Plc
21 Arlington Street
London
SW1A 1RN

Canaccord Genuity Limited
88 Wood Street
London EC2V 7QR

Dear Sirs

**Zattikka Plc (the "Company")**

**Concept Art House, Inc. ("CAH") and its subsidiaries (the "CAH Group")**

**Introduction**

We report on the financial information set out in Section B of Part 6. This financial information has been prepared for inclusion in the admission document dated 11 April 2012 of Zattikka Plc (the "Admission Document") on the basis of the accounting policies set out in note 2 to the financial information. 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 item and for no other purpose.

**Responsibilities**

The directors of the Company are responsible for preparing the financial information in accordance with International Financial Reporting Standards as adopted by the European Union.

It is our responsibility to form an opinion on the financial information and to report our opinion to you.

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 the 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 Schedule Two of the AIM Rules for Companies consenting to its inclusion in the Admission Document.

**Basis of opinion**

We conducted our work in accordance with 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 financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the 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 financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in the United States of America or other jurisdictions outside the United Kingdom and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

**Opinion**

In our opinion, the financial information gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of the CAH Group as at 31 December 2009, 31 December 2010 and 30 September 2011 and of its results, cash flows, recognised gains and losses, and changes in equity for the year ended 31 December 2010 and the nine month period ended 30 September 2011 in accordance with International Financial Reporting Standards as adopted by the European Union.

**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

BDO LLP
*Chartered Accountants*

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

# SECTION B: HISTORICAL FINANCIAL INFORMATION ON CONCEPT ART HOUSE AS AT 31 DECEMBER 2009 AND FOR THE YEAR ENDED 31 DECEMBER 2010 AND THE PERIOD ENDED 30 SEPTEMBER 2011

The historical financial information set out below of Concept Art House as at 31 December 2009 and for the year ended 31 December 2010 and the period ended 30 September 2011 has been prepared by the Directors of the Company on the basis set out in note 2.

**Concept Art House, Inc.**

**Statement of comprehensive income**

| | *Note* | *Year ended 31 December 2010 US$* | *9 month period ended 30 September 2011 US$* |
|---|---|---|---|
| **Revenue** | 6 | 1,884,755 | 2,622,995 |
| Cost of sales | | (713,929) | (1,009,267) |
| **Gross profit** | | 1,170,826 | 1,613,728 |
| Administrative expenses | | (995,805) | (1,086,548) |
| **Profit from operations** | 7 | 175,021 | 527,180 |
| Finance income | 9 | 237 | 800 |
| Other income | | 25 | 2,527 |
| **Profit before taxation** | | 175,283 | 530,507 |
| Taxation | 10 | (75,589) | (224,130) |
| **Total comprehensive income attributable to equity holders of the company** | | 99,694 | 306,377 |

**Concept Art House, Inc.**

**Statement of financial position**

| | Note | *31 December 2009* *US$* | *31 December 2010* *US$* | *30 September 2011* *US$* |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Non-current assets** | | | | |
| Property, plant and equipment | 11 | 47,643 | 143,443 | 180,823 |
| Intangible assets | 12 | – | 6,708 | 24,300 |
| **Total non-current assets** | | 47,643 | 150,151 | 205,123 |
| **Current assets** | | | | |
| Trade and other receivables | 13 | 70,201 | 350,043 | 648,473 |
| Cash and cash equivalents | | 130,934 | 463,331 | 829,911 |
| **Total current assets** | | 201,135 | 813,374 | 1,478,384 |
| **TOTAL ASSETS** | | 248,778 | 963,525 | 1,683,507 |
| **Liabilities** | | | | |
| **Current liabilities** | | | | |
| Trade and other payables | 14 | 36,821 | 54,837 | 212,244 |
| Corporation tax payable | | – | 75,589 | 299,719 |
| **Total current liabilities** | | 36,821 | 130,426 | 511,963 |
| **TOTAL LIABILITIES** | | 36,821 | 130,426 | 511,963 |
| **NET ASSETS** | | 211,957 | 833,099 | 1,171,544 |
| **EQUITY** | | | | |
| **Equity attributable to owners of the company** | | | | |
| Share capital | 15 | 211,957 | 718,957 | 718,957 |
| Retained earnings | | – | 114,142 | 452,587 |
| **TOTAL EQUITY** | | 211,957 | 833,099 | 1,171,544 |

**Concept Art House, Inc.**

**Statement of cash flows**

| | Note | *Year ended 31 December 2010 US$* | *9 month period ended 30 September 2011 US$* |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit before taxation for the period | | 175,283 | 530,507 |
| Adjustments for: | | | |
| Depreciation of property, plant and equipment | | 39,341 | 44,973 |
| Amortisation of intangible fixed assets | | 1,262 | 6,514 |
| Finance income | | (237) | (800) |
| Share based payments | | 14,448 | 32,068 |
| | | 230,097 | 613,262 |
| Increase in trade and other receivables | | (279,842) | (298,430) |
| Increase in trade and other payables | | 18,016 | 157,407 |
| **Cash (used in)/generated from operations** | | (31,729) | 472,239 |
| Income tax paid | | – | – |
| **Net cash flows from operating activities** | | (31,729) | 472,239 |
| Finance income | | 237 | 800 |
| **Net cash (used in)/generated from operations** | | (31,492) | 473,039 |
| **Investing activities** | | | |
| Purchase of property, plant and equipment | | (135,141) | (82,353) |
| Purchase of intangible fixed assets | | (7,970) | (24,106) |
| **Net cash used in investing activities** | | (143,111) | (106,459) |
| **Financing activities** | | | |
| Issue of preferred stock | | 507,000 | – |
| **Net cash generated from financing activities** | | 507,000 | – |
| **Net increase in cash and cash equivalents** | | 332,397 | 366,580 |
| Cash and cash equivalents at the beginning of the period | | 130,934 | 463,331 |
| **Cash and cash equivalents at the end of the period** | 19 | 463,331 | 829,911 |

**Concept Art House, Inc.**

**Statement of changes in equity**

| | *Share capital US$* | *Retained earnings US$* | *Equity US$* |
|---|---|---|---|
| **At 1 January 2010** | 211,957 | – | 211,957 |
| Issue of stock | 507,000 | – | 507,000 |
| Profit for the year | – | 99,694 | 99,694 |
| Share based payments | – | 14,448 | 14,448 |
| **At 31 December 2010** | 718,957 | 114,142 | 833,099 |
| Profit for the period | – | 306,377 | 306,377 |
| Share based payments | – | 32,068 | 32,068 |
| **At 30 September 2011** | 718,957 | 452,587 | 1,171,544 |

**Concept Art House, Inc.**

**Notes to the historical financial information**

## 1. General information

Concept Art House, Inc. is a company registered in the United States. The address of the registered office is 785 Market Street, Suite 1100, San Francisco, California. Concept Art House provides artwork to the social and mobile games industry. Concept Art House generates revenue primarily through the production of artwork on a contract basis as well as through revenue-sharing contracts. Operations are headquartered in San Francisco, California with a dormant subsidiary based in Shanghai, China.

## 2. Significant accounting policies

### Basis of preparation

The principal accounting policies adopted in the preparation of the historical financial information are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

This historical financial information has been prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

The historical financial information has been prepared on the historical cost basis. All amounts are presented in United States Dollars.

### Property, plant and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation and, where appropriate, provision for impairment in value or estimated loss on disposal.

Subsequent costs are included in the asset's carrying amount, or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the item will flow to Concept Art House and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Depreciation provided on all other items of property, plant and equipment is to write off the carrying value of items over their expected useful economic lives on a straight line basis. The principal economic lives are as follows:

| | |
|---|---|
| Leasehold improvements | 3 years |
| Office and computer equipment | 3 years |
| Furniture and fittings | 3 years |

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

### Intangible assets

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring into use the specific software, and are stated at cost less accumulated amortisation. Costs associated with maintaining computer software are recognised as an expense as incurred. Software licenses are subsequently amortised on a straight-line basis over their useful economic life of three years. The amortisation expense is included within the administrative expenses line in the statement of comprehensive income.

**Foreign currency**

Transactions entered into by Concept Art House in a currency other than the currency of the primary economic environment in which it operates ("functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the reporting date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised immediately in the statement of comprehensive income. When a gain or loss on a non-monetary item is recognised in the statement of comprehensive income, any exchange component of that gain or loss shall be recognised in the statement of comprehensive income.

**Financial instruments**

Concept Art House classifies its financial instruments into one of the categories discussed below, depending on the purpose for which the asset was acquired. Concept Art House has not classified any of its financial assets as held to maturity or at fair value through profit or loss.

The accounting policy for each category is as follows:

*Loans and receivables*

Concept Art House's loans and receivables comprise trade and other receivables and cash and cash equivalents in the statement of financial position. These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and for the purpose of the statement of cash flows, bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

*Other financial liabilities*

Other financial liabilities include the following items:

Trade payables and other short-term monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

Fair value measurement hierarchy

IFRS 7 requires certain disclosures which require the classification of financial assets and financial liabilities measured at fair value using a fair value hierarchy that reflects the significance of the inputs used in making the fair value measurement. The fair value hierarchy has the following levels:

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

The level in the fair value hierarchy within which the financial asset or financial liability is categorised is determined on the basis of the lowest level input that is significant to the fair value measurement. Financial assets and financial liabilities are classified in their entirety into only one of the three levels.

**Share capital**

Financial instruments issued by Concept Art House are treated as equity only to the extent that they do not meet the definition of a financial liability. Concept Art House's preferred stock are classified as equity instruments.

**Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision maker has been identified as the management team including the Chief Executive Officer, Chief Operating Officer and the Finance Director.

**Share based payments**

Equity-settled share based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

**Leased assets**

Where substantially all of the risks and rewards incidental to ownership are not transferred to Concept Art House (an "operating lease"), the total rentals payable under the lease are charged to the statement of comprehensive income on a straight-line basis over the lease term. The aggregate benefit of lease incentives is recognised as a reduction of the rental expense over the lease term on a straight-line basis.

**Financial income**

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, Concept Art House reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables are recognised using the original effective interest rate.

**Current taxation**

The current tax is based upon the taxable profit for the period together with adjustments, where necessary, in respect of prior years. Concept Art House's asset or liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the balance sheet date in the countries where Concept Art House's subsidiaries operate and generate taxable income.

Current tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

**Revenue recognition**

Concept Art House derives revenue from the production of artwork for third party game developers, from revenue share arrangements, from education services it provides and from royalty fees.

Outsourcing services
Concept Art House produces 2D, 3D and concept artwork for third party game developers. Each contract is negotiated individually and customers are charged per hour for the agreed amount of time required to complete the work. If a contract is incomplete at a period end, revenue will be recognised to the extent of the completed proportion of total hours required. In certain cases revenue-sharing agreements are entered, where, in addition to a reduced initial cost, Concept Art House receives a share of the future revenue generated from the game. Revenue from such agreements is recognised over the period in which the game

generated income. Accrued revenue is recognised for such agreements where the total receivable can be estimated with reasonable accuracy.

Education Services
Concept Art House provide digital art tuition in China and the United States. Revenue generated from these education services is deferred and recognised evenly over the 3 month duration of the course.

Royalty Fees
When Concept Art House receives revenue for artwork for graphic novels and other non-game publications, this is recognised as royalty fee income. Such revenue is recognised over the period in which sales of the publications took place. Royalty fees are accrued for when the total receivable can be estimated with reasonable accuracy.

**Standards, amendments and interpretations to published standards not yet effective**

The following standards, interpretations and amendments, have been published but are not effective for the periods presented and Concept Art House has chosen not to early adopt.

- IAS 32 (Amendment): Classification of rights issues (from 1 February 2010)
- IFRIC 19: Extinguishing financial liabilities with equity instruments (from 1 July 2010)
- IAS 24 (Revised): Related party disclosures (from 1 January 2011)
- IFRS 7 (Amendment): Disclosures – transfers of financial assets (from 1 July 2011)
- Improvements to IFRS (2010) (from 1 January 2011)
- IFRS 9: Financial Instruments (from 1 January 2013)
- IAS 12 amendment: Deferred tax: recovery of underlying assets (from 1 January 2012)
- IAS 27 Revised 2011: Separate financial statements (from 1 January 2013)
- IAS 28 Revised 2011 (from 1 January 2013)
- IFRS 10 Consolidated financial statements (from 1 January 2013)
- IFRS 11 Joint arrangements (from 1 January 2013)
- IFRS 12 Disclosure of interests in other entities (from 1 January 2013)
- IFRS 13 Fair value measurement (from 1 January 2013)

Concept Art House is currently assessing the impact of these amendments, revisions and interpretations on its historical financial information but, at this stage, with the exception of IFRS 9 does not consider that they will have a significant material effect save for any additional disclosure requirements.

IFRS 9: Financial Instruments (effective for accounting periods beginning on or after 1 January 2013). It is envisaged that this standard will replace IAS 39: Financial Instruments: Recognition and Measurement in its entirety. Concept Are House is currently assessing the impact of the new standard on its historical financial information.

## 3. Critical accounting judgements and key sources of estimation uncertainty

**Critical judgments in applying Concept Art House's accounting policies**

In the application of Concept Art House's accounting policies, which are described in note 2, the directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis.

**Key sources of estimation uncertainty**

The following is the critical judgment that the directors have made in the process of applying Concept Art House's accounting policies that has the most significant effect on the amounts recognised in the historical financial information.

**Useful lives of intangible assets and property, plant and equipment**

Intangible assets and property, plant and equipment are amortised or depreciated over their useful lives. Useful lives are based on the management's estimates of the period that the assets will generate revenue, which are periodically reviewed for continued appropriateness. Changes to estimates can result in significant variations in the carrying value and amounts charged to the statement of comprehensive income in specific periods. More details including carrying values are included in the notes.

**Taxation**

Significant judgement is required in determining the provision for income taxes. During the ordinary course of business, there are transactions and calculations for which the ultimate tax determination is uncertain. As a result, Concept Art House recognises tax liabilities based on estimates of whether additional taxes and interest will be due. These tax liabilities are recognised when Concept Art House believes that certain positions are likely to be challenged and may not be fully sustained upon review by tax authorities. Concept Art House believes that its accruals for tax liabilities are adequate for all open audit years based on its assessment of many factors including past experience and interpretations of tax law. This assessment relies on estimates and assumptions and may involve a series of complex judgments about future events. To the extent that the final tax outcome of these matters is different than the amounts recorded, such differences will impact income tax expense in the period in which such determination is made.

## 4. Segmental reporting

A segment is a distinguishable component of Concept Art House that is engaged in providing products or services within a particular economic environment. The principal activities of Concept Art House are reported under one segment. This is the basis on which the management analyses performance. Concept Art House generates its results predominantly in one geographical segment within the United States. Its non-current assets are based in China and the United States.

## 5. Financial instruments and risk management

***Principal financial instruments***

The principal financial instruments used by Concept Art House, from which financial instrument risk arises, are as follows:

- Cash and cash equivalents
- Trade and other receivables
- Trade and other payables

A summary of the financial instruments held by category is provided below:

**Financial assets**

| | *Loans and receivables* | | |
|---|---|---|---|
| | *31 December 2009 US$* | *31 December 2010 US$* | *30 September 2011 US$* |
| Cash and cash equivalents | 130,934 | 463,331 | 829,911 |
| Trade receivables | 70,201 | 288,541 | 470,886 |
| Other receivables | – | 60,342 | 165,433 |
| **Total financial assets** | 201,135 | 812,214 | 1,466,230 |

**Financial liabilities**

| | *Financial liabilities at amortised cost* | | |
|---|---|---|---|
| | *31 December 2009* | *31 December 2010* | *30 September 2011* |
| | *US$* | *US$* | *US$* |
| Trade and other payables | 34,821 | 51,031 | 106,597 |
| **Total financial liabilities** | 34,821 | 51,031 | 106,597 |

Concept Art House is exposed through its operations to the following financial risks:

- Credit risk
- Foreign exchange risk
- Liquidity risk

In common with all other businesses, Concept Art House is exposed to risks that arise from its use of financial instruments. This note describes Concept Art House's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout this historical financial information.

***General objectives, policies and processes***

The Board has overall responsibility for the determination of Concept Art House's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to Concept Art House's finance function. The Board receives monthly reports through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The overall objective of the Board is to set polices that seek to reduce risk as far as possible without unduly affecting Concept Art House's competitiveness and flexibility. Further details regarding these policies are set out below:

**Credit risk**

Credit risk is the risk of financial loss to Concept Art House if a customer or a counterparty to a financial instrument fails to meet its contractual obligations. Concept Art House is mainly exposed to credit risk from credit sales. Trade receivables represent amounts due to Concept Art House based on contractual obligations where a signed and executed contract or click-through agreement exists. Concept Art House performs ongoing credit evaluations of its customers to assess the probability of accounts receivable collection. In cases where Concept Art House is aware of circumstances that may impair a specific customer's ability to meet its financial obligations, it records a specific allowance as a reduction to the accounts receivable balance to reduce it to its net realisable.

Management determines concentrations of credit risk by regularly monitoring the creditworthiness rating of existing customers and through a monthly review of the trade receivables' ageing analysis. There is currently no particular concentration of credit risk to Concept Art House's trade receivables as Concept Art House has a large number of customers.

Credit risk also arises from cash and cash equivalents and deposits with banks and financial institutions. Only independent financial institutions with high credit standings are used. Concept Art House's main banking arrangements are with Chase Bank and Silicon Valley Bank.

Concept Art House does not enter into derivatives to manage credit risk.

Quantitative disclosures of the credit risk exposure in relation to trade and other receivables are provided in note 13.

**Concept Art House, Inc.**

**Notes to the historical financial information (continued)**

**Market risk**

Concept Art House's activities expose it primarily to price risk. Concept Art House uses its knowledge and experience to manage and minimise this risk.

**Interest rate risk**

Concept Art House is not currently exposed to significant interest rate risk as it has no borrowings and it currently only maintains working capital cash in the bank.

**Foreign exchange risk**

Concept Art House is not currently exposed to significant currency risk as the currency of the primary economic environment in which it operates is US$, and therefore a high proportion of transactions are in US$ as is the reporting currency of Concept Art House. The company also incurs costs in Chinese Yuan through its branch in Shanghai and the foreign exchange rate risk is considered minimal as the Chinese Yuan is linked to the US$.

**Liquidity risk**

Liquidity risk arises from Concept Art House's management of working capital. It is the risk that Concept Art House will encounter difficulty in meeting its financial obligations as they fall due.

Concept Art House's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. To achieve this aim, Concept Art House finances its operations through a mix of equity and working capital. Concept Art House's objective is to provide funding for future growth and achieve a balance between continuity and flexibility.

The Board receives cash flow projections on a regular basis as well as information regarding cash balances. At the end of the financial period, these projections indicated that Concept Art House expected to have sufficient liquid resources to meet its obligations under all reasonably expected circumstances.

The following table sets out the contractual maturities (representing undiscounted contractual cash-flows) of financial liabilities:

| | *Up to 3 months US$* | *3 to 12 months US$* | *1 and 2 years US$* |
|---|---|---|---|
| At 1 January 2010 | | | |
| Trade and other payables | 34,821 | – | – |
| **Total** | 34,821 | – | – |
| At 31 December 2010 | | | |
| Trade and other payables | 51,031 | – | – |
| **Total** | 51,031 | – | – |
| At 30 September 2011 | | | |
| Trade and other payables | 106,597 | – | – |
| **Total** | 106,597 | – | – |

More details in regard to the line items are included in the respective notes:

Trade and other payables – note 14

**Concept Art House, Inc.**

**Notes to the historical financial information (continued)**

**Capital Management**

Concept Art House monitors capital which comprises all components of equity (i.e. share capital, reserves and retained earnings).

Concept Art House's objectives when maintaining capital are:

- to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and
- to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

Concept Art House sets the amount of capital it requires in proportion to risk. Concept Art House manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, Concept Art House may adjust the amount of dividends paid to shareholders, return capital to shareholders, or issue new stock.

## 6. Revenue

| | *Year ended 31 December 2010 US$* | *9 month period ended 30 September 2011 US$* |
|---|---|---|
| Revenue arises from: | | |
| Education services rendered | 21,659 | 58,307 |
| Outsourcing services | 1,846,275 | 2,439,324 |
| Revenue share income | 10,268 | 95,658 |
| Royalty fees | 6,553 | 29,706 |
| | 1,884,755 | 2,622,995 |

During the period, 3 customers (2010: 1 customer) accounted for total revenue of US$1,006,000 (2010: US$352,000).

## 7. Profit from operations

Profit from operations is arrived at after taking the following into consideration:

| | *Year ended 31 December 2010 US$* | *9 month period ended 30 September 2011 US$* |
|---|---|---|
| Depreciation | 39,341 | 44,973 |
| Amortisation | 1,262 | 6,514 |
| Operating lease expenses | | |
| – Premises | 86,424 | 115,765 |

## 8. Staff costs and employee information

| | *Year ended 31 December 2010 US$* | *9 month period ended 30 September 2011 US$* |
|---|---|---|
| Staff costs (including directors) comprise: | | |
| Wages and salaries | 996,059 | 1,444,257 |
| Social security costs | 74,989 | 51,342 |
| Share based payment expense (note 16) | 14,448 | 32,068 |
| Other salary related costs | 31,747 | 41,816 |
| | 1,117,243 | 1,569,483 |

The average number of persons, including executive directors, employed by Concept Art House during the period was 92 (2010: 48).

**Directors and key management personnel remuneration**

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of Concept Art House. Key management personnel include the directors of Concept Art House and the Executive General Manager in China.

| | *Year ended 31 December 2010 US$* | *9 month period ended 30 September 2011 US$* |
|---|---|---|
| Salaries and fees | 105,964 | 81,886 |
| Social security costs | 5,332 | 3,902 |
| Share based payment expense | 3,981 | 8,835 |

## 9. Finance income

| | *Year ended 31 December 2010 US$* | *9 month period ended 30 September 2011 US$* |
|---|---|---|
| Other interest receivable | 237 | 800 |

## 10. Taxation

The tax assessed on the profit on ordinary activities for the period differs from the standard rate of tax of 31 per cent.. The differences are reconciled below:

| | *Year ended 31 December 2010 US$* | *9 month period ended 30 September 2011 US$* |
|---|---|---|
| Current tax on profits for the period | 75,589 | 224,130 |

The reasons for the difference between the actual tax charge for the period and the standard rate of corporation tax in the United States applied to profits for the period are as follows:

| | | |
|---|---|---|
| Profit before tax | 175,283 | 530,507 |
| Expected tax charge based on the standard rate of corporation tax at the domestic rate of 31 per cent. (31 December 2010: 31 per cent.) | 54,338 | 164,457 |
| Expenses not deductible for tax purposes | 5,756 | 12,776 |
| Other local taxes | 15,495 | 46,897 |
| Total tax expense | 75,589 | 224,130 |

## 11. Property, plant and equipment

| | *Leasehold improvements US$* | *Office and computer equipment US$* | *Furniture and fittings US$* | *Total US$* |
|---|---|---|---|---|
| **Net book value** | | | | |
| **At 1 January 2010** | 10,681 | 30,694 | 6,268 | 47,643 |
| **Cost** | | | | |
| At 1 January 2010 | 16,021 | 39,022 | 8,436 | 63,479 |
| Additions | 45,734 | 74,386 | 15,021 | 135,141 |
| **At 31 December 2010** | 61,755 | 113,408 | 23,457 | 198,620 |
| **Depreciation** | | | | |
| At 1 January 2010 | 5,340 | 8,328 | 2,168 | 15,836 |
| Provided during the year | 12,699 | 22,499 | 4,143 | 39,341 |
| **At 31 December 2010** | 18,039 | 30,827 | 6,311 | 55,177 |
| **Net book value** | | | | |
| **At 31 December 2010** | 43,716 | 82,581 | 17,146 | 143,443 |
| **Cost** | | | | |
| At 1 January 2011 | 61,755 | 113,408 | 23,457 | 198,620 |
| Additions | 6,364 | 67,831 | 8,158 | 82,353 |
| **At 30 September 2011** | 68,119 | 181,239 | 31,615 | 280,973 |
| **Depreciation** | | | | |
| At 1 January 2011 | 18,039 | 30,827 | 6,311 | 55,177 |
| Provided during the period | 8,967 | 30,655 | 5,351 | 44,973 |
| **At 30 September 2011** | 27,006 | 61,482 | 11,662 | 100,150 |
| **Net book value** | | | | |
| **At 30 September 2011** | 41,113 | 119,757 | 19,953 | 180,823 |

## 12. Intangible assets

| | *Computer software* |
|---|---|
| | *US$* |
| **Net book value** | |
| **At 1 January 2010** | – |
| **Cost** | |
| At 1 January 2010 | – |
| Additions | 7,970 |
| **At 31 December 2010** | 7,970 |
| **Amortisation** | |
| At 1 January 2010 | – |
| Provided during the year | 1,262 |
| **At 31 December 2010** | 1,262 |
| **Net book value** | |
| **At 31 December 2010** | 6,708 |
| **Cost** | |
| At 1 January 2011 | 7,970 |
| Additions | 24,106 |
| **At 30 September 2011** | 32,076 |
| **Amortisation** | |
| At 1 January 2011 | 1,262 |
| Provided during the period | 6,514 |
| **At 30 September 2011** | 7,776 |
| **Net book value** | |
| **At 30 September 2011** | 24,300 |

## 13. Trade and other receivables

| | *31 December 2009* | *31 December 2010* | *30 September 2011* |
|---|---|---|---|
| | *US$* | *US$* | *US$* |
| Trade receivables | 70,201 | 288,541 | 470,886 |
| Deposit | – | 16,653 | 24,851 |
| Prepayments | – | 1,160 | 12,154 |
| Accrued income | – | 42,585 | 135,642 |
| Employee advances | – | 1,104 | 4,940 |
| | 70,201 | 350,043 | 648,473 |

There is no material difference between the net book value and the fair values of trade and other receivables due to their short term nature.

Trade receivables that have not been received within the payment terms are classified as overdue. As at 30 September 2011 no trade receivables (31 December 2010: US$nil) were overdue but not impaired. The ageing analysis of trade receivables is as follows:

| | *31 December 2009 US$* | *31 December 2010 US$* | *30 September 2011 US$* |
|---|---|---|---|
| Up to 3 months | 70,201 | 267,641 | 470,886 |
| 3 to 6 months | – | 20,900 | – |
| More than 6 months | – | – | – |

As at 30 September 2011 trade receivables of US$nil (31 December 2010 and 2009: US$nil) were past due and impaired.

There is no particular concentration of credit risk to Concept Art House's trade receivables as Concept Art House has a large number of customers.

Other classes of financial assets included within trade and other receivables do not contain impaired assets.

## 14. Trade and other payables

| | *31 December 2009 US$* | *31 December 2010 US$* | *30 September 2011 US$* |
|---|---|---|---|
| Trade payables | 21,670 | 36,669 | 42,105 |
| Accruals | – | 1,450 | 5,118 |
| Other payables | 13,151 | 12,912 | 59,374 |
| Deferred revenue | 2,000 | 3,806 | 105,647 |
| | 36,821 | 54,837 | 212,244 |

There is no material difference between the net book value and the fair values of trade and other payables due to their short term nature.

Maturity analysis of the trade and other payables, classified as financial liabilities measured at amortised cost, is as follows (the amounts shown are undiscounted and represent the contractual cash-flows):

| | *31 December 2009 US$* | *31 December 2010 US$* | *30 September 2011 US$* |
|---|---|---|---|
| Up to 3 months | 34,821 | 51,031 | 106,597 |

## 15. Share capital

A breakdown of the issued share capital in place as at 30 September 2011 is as follows:

| | *31 December 2010* | | *30 September 2011* | |
|---|---|---|---|---|
| | *Number* | *US$* | *Number* | *US$* |
| **Authorised** | | | | |
| Common stock of US$0.0001 each | 15,000,000 | 1,500 | 15,000,000 | 1,500 |
| Preferred stock of US$0.0001 each | 5,000,000 | 500 | 5,000,000 | 500 |
| **Total authorised share capital** | 20,000,000 | 2,000 | 20,000,000 | 2,000 |
| **Issued and fully paid** | | | | |
| ***Common stock*** | | | | |
| **At the beginning and end of the period** | 6,000,000 | 211,957 | 6,000,000 | 211,957 |
| ***Preferred stock*** | | | | |
| At beginning of the period | – | – | 1,127,776 | 507,000 |
| Issued during the period at US$0.45 each | 1,127,776 | 507,000 | – | – |
| **At end of the period** | 1,127,776 | 507,000 | 1,127,776 | 507,000 |
| **Total share capital** | 7,127,776 | 718,957 | 7,127,776 | 718,957 |

Common and preferred stock each carry a nominal value of US$0.0001.

The preferred stockholders are entitled to a non-cumulative preference dividend of 8 per cent. per share payable quarterly if declared by the Board. Any additional dividends declared are payable *pro rata* on the common stock and preferred stockholders.

In an event of any liquidation, dissolution or winding up, the preferred stockholders are entitled to a priority distribution of $0.45 per share before any further distribution. In all other aspects, the common stock and preferred stock rank *pari passu*.

## 16. Share options and share based payment

As at 30 September 2011, the following options were outstanding in respect of the common stock:

| *Share option scheme* | *Date of original grant* | *Number of options* | *Period of option* | *Exercise price per share* |
|---|---|---|---|---|
| Share incentive stock option | 31/08/10 | 490,000 | 31/08/10 – 31/08/20 | $0.50 |
| Share incentive stock option | 08/01/11 | 60,000 | 08/01/11 – 08/01/21 | $0.50 |
| | | 550,000 | | |

The company operates an equity settled share based remuneration scheme for certain key employees. The options vest over a four year period with 25 per cent. vesting after twelve months of the original date of grant and then on either a monthly or quarterly basis over the remaining thirty six month period.

The options are granted with a fixed exercise price usually equal to the market price of the shares under option at the date of grant. The contractual life of an option is 10 years.

Options were valued using the Black-Scholes option pricing model. The fair value per option granted and the key assumptions used in the calculation are as follows:

| | *31 December 2010* | *30 September 2011* |
|---|---|---|
| Option pricing model | Black-Scholes | Black-Scholes |
| Weighted average share price at grant date ($) | 0.50 | 0.50 |
| Contractual life (in years) | 6 | 6 |
| Expected volatility | 80% | 80% |
| Risk free interest rate | 1.71% | 1.71% |

The expected dividend yield included in the above fair value calculation was nil. The volatility assumption is based upon the historical volatility of comparable company's share price over a period that is generally commensurate with the expected term of the option.

| | *31 December 2010* | | *30 September 2011* | |
|---|---|---|---|---|
| | *Number of options* | *Weighted average exercise price US$* | *Number of options* | *Weighted average exercise price US$* |
| Outstanding at start of period | – | – | 490,000 | 0.50 |
| Granted | 490,000 | 0.50 | 60,000 | 0.50 |
| **Outstanding at end of period** | 490,000 | 0.50 | 550,000 | 0.50 |
| Exercisable at end of period | – | – | 67,361 | 0.50 |

The options outstanding at 30 September 2011 and 31 December 2010 had exercise prices respectively shown in the tables above and a weighted average remaining life of 9.3 years and 9.7 years respectively.

The share based payment charge for the period ending 30 September 2011 was $32,068 (2010: $14,448) in respect of equity settled share options.

## 17. Reserves

**Retained Earnings**

Cumulative net gains and losses are recognised in the statement of comprehensive income.

## 18. Investment in subsidiaries

On 21 July 2011 the company established a new subsidiary in Shanghai, Yi Yi Ju (Shanghai) Software Technology Co. Limited. Subsequent to the year end the operations of the company's Chinese branch were transferred to the new subsidiary.

## 19. Notes supporting cash flow statement

Cash and cash equivalents comprise:

| | *31 December 2009 US$* | *31 December 2010 US$* | *30 September 2011 US$* |
|---|---|---|---|
| Cash and cash equivalents | 130,934 | 463,331 | 829,911 |

There were no significant non-cash transactions in the year.

Cash and cash equivalents comprise cash held by Concept Art House and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximates their fair value.

## 20. Related parties

***Trading transactions***

During the period Concept Art House received trading income from Sneaky Games, Inc. totalling US$32,525 (2010: US$nil), of which US$12,055 (2010: US$nil) was outstanding at the period end.

Although Sneaky Games was not a related party in the period, both Concept Art House and Sneaky Games will be related parties following completion of the Acquisitions.

Services were considered rendered at market prices.

The compensation paid to directors is shown below:

| | *31 December 2010 US$* | *30 September 2011 US$* |
|---|---|---|
| Salary | 86,000 | 64,000 |
| Social security contributions and similar taxes | 5,332 | 3,902 |
| Share based payments | 3,538 | 7,853 |
| | 94,870 | 75,755 |

## 21. Contingencies and commitments

***Operating leases***

The total value of future minimum lease payments is due as follows:

| | *Land and buildings 31 December 2010 US$* | *Land and buildings 30 September 2011 US$* |
|---|---|---|
| Not later than one year | 24,779 | 191,108 |
| Later than one year and not later than five years | 21,188 | 157,115 |
| | 45,967 | 348,223 |

## 22. Events after the balance sheet date

There are no matters that occurred between the reporting date and the date of approval of this historical financial information that the directors wish to draw attention to.

# PART 7 – FINANCIAL INFORMATION ON SNEAKY GAMES, INC.

## PART A: ACCOUNTANT'S REPORT ON SNEAKY GAMES, INC.

BDO LLP
2 City Place
Beehive Ring Road
Gatwick
RH6 0PA

11 April 2012

The Directors
Zattikka Plc
21 Arlington Street
London
SW1A 1RN

Canaccord Genuity Limited
88 Wood Street
London EC2V 7QR

Dear Sirs

**Zattikka Plc (the "Company")**

**Sneaky Games, Inc. ("Sneaky")**

**Introduction**

We report on the financial information set out in Section B of Part 7. This financial information has been prepared for inclusion in the admission document dated 11 April 2012 of Zattikka Plc (the "Admission Document") on the basis of the accounting policies set out in note 2 to the financial information. 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 item and for no other purpose.

**Responsibilities**

The directors of the Company are responsible for preparing the financial information in accordance with International Financial Reporting Standards as adopted by the European Union.

It is our responsibility to form an opinion on the financial information and to report our opinion to you.

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 the 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 Schedule Two of the AIM Rules for Companies consenting to its inclusion in the Admission Document.

**Basis of opinion**

We conducted our work in accordance with 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 financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the 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 financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in the United States of America or other jurisdictions outside the United Kingdom and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

**Opinion**

In our opinion, the financial information gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of Sneaky as at 31 December 2009, 31 December 2010 and 30 September 2011 and of its results, cash flows, recognised gains and losses, and changes in equity for the period from incorporation to 31 December 2009, the year ended 31 December 2010 and the nine month period ended 30 September 2011 in accordance with International Financial Reporting Standards as adopted by the European Union.

**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

BDO LLP
*Chartered Accountants*

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

## SECTION B: HISTORICAL FINANCIAL INFORMATION ON SNEAKY GAMES AS AT 31 DECEMBER 2009 AND FOR THE YEAR ENDED 31 DECEMBER 2010 AND THE PERIOD ENDED 30 SEPTEMBER 2011

The historical financial information set out below of Sneaky Games as at 31 December 2009 and for the year ended 31 December 2010 and the period ended 30 September 2011 has been prepared by the Directors of the Company on the basis set out in note 2.

**Sneaky Games, Inc.**

**Statement of comprehensive income**

| | *Note* | *Year ended 31 December 2010 US$* | *9 month period ended 30 September 2011 US$* |
|---|---|---|---|
| Revenue | 6 | 338,338 | 1,208,261 |
| Cost of sales | | (263,656) | (355,789) |
| **Gross profit** | | 74,682 | 852,472 |
| Marketing and promotion expenses | | (38,073) | (35,670) |
| Staff costs | 8 | (653,000) | (505,552) |
| Administrative expenses | | (159,626) | (158,470) |
| **(Loss)/profit from operations** | 7 | (776,017) | 152,780 |
| Finance expense | 9 | (140,556) | (162,698) |
| **Loss before taxation** | | (916,573) | (9,918) |
| Taxation | 10 | 252,218 | (54,060) |
| **Total comprehensive loss attributable to the equity holders of the company** | | (664,355) | (63,978) |

**Sneaky Games, Inc.**

**Statement of financial position**

| | *Note* | *31 December 2009 US$* | *31 December 2010 US$* | *30 September 2011 US$* |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Non-current assets** | | | | |
| Property, plant and equipment | 11 | – | 7,820 | 14,197 |
| Intangible assets | 12 | 54,000 | – | – |
| Deferred tax – non-current portion | 16 | – | 195,660 | – |
| **Total non-current assets** | | 54,000 | 203,480 | 14,197 |
| **Current assets** | | | | |
| Trade and other receivables | 13 | – | 61,248 | 70,301 |
| Cash and cash equivalents | | 10,122 | 80,046 | 213,823 |
| Deferred tax – current portion | 16 | – | 56,558 | 203,977 |
| **Total current assets** | | 10,122 | 197,852 | 488,101 |
| **TOTAL ASSETS** | | 64,122 | 401,332 | 502,298 |
| **Liabilities** | | | | |
| **Non-current liabilities** | | | | |
| Loans and borrowings | 15 | – | 730,556 | – |
| Deferred tax | 16 | – | – | 5,819 |
| **Total non-current liabilities** | | – | 730,556 | 5,819 |
| **Current liabilities** | | | | |
| Trade and other payables | 14 | 30,550 | 301,559 | 298,109 |
| Loans and borrowings | 15 | – | – | 893,131 |
| **Total current liabilities** | | 30,550 | 301,559 | 1,191,240 |
| **TOTAL LIABILITIES** | | 30,550 | 1,032,115 | 1,197,059 |
| **NET ASSETS/(LIABILITIES)** | | 33,572 | (630,783) | (694,761) |
| **EQUITY** | | | | |
| **Equity attributable to owners of the company** | | | | |
| Share capital | 17 | 88,000 | 88,000 | 88,000 |
| Accumulated deficit | | (54,428) | (718,783) | (782,761) |
| **TOTAL EQUITY** | | 33,572 | (630,783) | (694,761) |

**Sneaky Games, Inc.**

**Statement of cash flows**

| | Note | *Year ended 31 December 2010 US$* | *9 month period ended 30 September 2011 US$* |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Loss before taxation for the period | | (916,573) | (9,918) |
| Adjustments for: | | | |
| Depreciation of property, plant and equipment | | 1,939 | 1,734 |
| Amortisation of intangible fixed assets | | 54,000 | – |
| Bad debts | | – | 12,500 |
| Finance expense | | 140,556 | 162,698 |
| | | (720,078) | 167,014 |
| Increase in trade and other receivables | | (61,248) | (21,553) |
| Increase/(decrease) in trade and other payables | | 271,009 | (3,450) |
| **Cash (used in)/generated from operations** | | (510,317) | 142,011 |
| Income tax paid | | – | – |
| **Net cash (used in)/generated from operations** | | (510,317) | 142,011 |
| **Investing activities** | | | |
| Purchase of property, plant and equipment | | (9,759) | (8,111) |
| **Net cash used in investing activities** | | (9,759) | (8,111) |
| **Financing activities** | | | |
| Issue of preferred share capital | | 590,000 | – |
| Finance expense paid | | – | (123) |
| **Net cash generated/(used) from financing activities** | | 590,000 | (123) |
| **Net increase in cash and cash equivalents** | | 69,924 | 133,777 |
| Cash and cash equivalents at the beginning of the period | | 10,122 | 80,046 |
| **Cash and cash equivalents at the end of the period** | 19 | 80,046 | 213,823 |

**Sneaky Games, Inc.**

**Statement of changes in equity**

| | *Share capital US$* | *Accumulated deficit US$* | *Total US$* |
|---|---|---|---|
| **At 1 January 2010** | 88,000 | (54,428) | 33,572 |
| Loss for the year | – | (664,355) | (664,355) |
| **At 31 December 2010** | 88,000 | (718,783) | (630,783) |
| Loss for the period | – | (63,978) | (63,978) |
| **At 30 September 2011** | 88,000 | (782,761) | (694,761) |

**Sneaky Games, Inc.**

**Notes to the historical financial information**

## 1. General information

Sneaky Games, Inc. is a company incorporated in the United States, Texas. The address of the registered office is Sneaky Games, Inc., 13376 North Highway 183, Austin, Texas, 78750. Sneaky develops, markets, and operates online social games as live services played over the Internet and on social networking sites and mobile platforms. Sneaky generates revenue primarily through the development of games on a contract basis as well as in-game sale of virtual goods. Operations are headquartered in Austin, Texas.

## 2. Significant accounting policies

### Basis of preparation

The principal accounting policies adopted in the preparation of the historical financial information are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

This historical financial information has been prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

The historical financial information has been prepared on the historical cost basis. All amounts are presented in United States Dollars.

### Property, plant and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation and, where appropriate, provision for impairment in value or estimated loss on disposal.

Subsequent costs are included in the assets carrying amount, or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the item will flow to Sneaky and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation provided on all other items of property, plant and equipment is to write off the carrying value of items over their expected useful economic lives on a straight line basis. The principal economic lives are as follows:

Office and computer equipment – 2 – 5 years

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

### Externally acquired intangible assets

Externally acquired intangible assets are initially recognised at cost and subsequently amortised on a straight-line basis over their useful economic lives. The amortisation expense is included within the administrative expenses line in the statement of comprehensive income.

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring into use the specific software, and are stated at cost less accumulated amortisation. Costs associated with maintaining computer software are recognised as an expense as incurred.

### Provisions

Provisions are recognised for liabilities of uncertain timing or amount that have arisen as a result of past transactions and are discounted at a pre-tax rate reflecting current market assessments of the time value of money and the risks specific to the liability.

**Impairment of non-financial assets**

Non-financial assets that are subject to amortisation are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount (i.e. the higher of value in use and fair value less costs to sell), the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit (i.e. the lowest group of assets in which the asset belongs for which there are separately identifiable cash flows).

Impairment charges are included in the administrative expenses line item in the statement of comprehensive income, except to the extent they reverse gains previously recognised in other comprehensive income.

**Foreign currency**

Transactions entered into by Sneaky in a currency other than the currency of the primary economic environment in which it operates ("functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the reporting date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised immediately in the statement of comprehensive income. When a gain or loss on a non-monetary item is recognised in the statement of comprehensive income, any exchange component of that gain or loss shall be recognised in the statement of comprehensive income.

**Financial instruments**

Sneaky classifies its financial instruments into one of the categories discussed below, depending on the purpose for which the asset was acquired. Sneaky has not classified any of its financial assets as held to maturity or at fair value through profit or loss.

The accounting policy for each category is as follows:

*Loans and receivables*

Sneaky's loans and receivables comprise trade and other receivables and cash and cash equivalents in the statement of financial position. These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and for the purpose of the statement of cash flows, bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

*Other financial liabilities*

Other financial liabilities include the following items:

Preferred stock is initially recognised at fair value net of any transaction costs and subsequently measured at amortised cost using the effective interest rate method. Interest expense includes preference dividend and priority distribution costs.

Trade payables and other short-term monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

*Fair value measurement hierarchy*

IFRS 7 requires certain disclosures which require the classification of financial assets and financial liabilities measured at fair value using a fair value hierarchy that reflects the significance of the inputs used in making the fair value measurement. The fair value hierarchy has the following levels:

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

The level in the fair value hierarchy within which the financial asset or financial liability is categorised is determined on the basis of the lowest level input that is significant to the fair value measurement. Financial assets and financial liabilities are classified in their entirety into only one of the three levels.

**Share capital**

Financial instruments issued by Sneaky are treated as equity only to the extent that they do not meet the definition of a financial liability. Sneaky's common stock is classified as equity instruments.

**Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision maker has been identified as the management team including the Chief Executive Officer.

**Share-based payments**

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

**Leased assets**

Where substantially all of the risks and rewards incidental to ownership are not transferred to Sneaky (an "operating lease"), the total rentals payable under the lease are charged to the statement of comprehensive income on a straight-line basis over the lease term. The aggregate benefit of lease incentives is recognised as a reduction of the rental expense over the lease term on a straight-line basis.

**Financial income**

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, Sneaky reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables are recognised using the original effective interest rate.

**Current taxation**

The current tax is based upon the taxable profit for the period together with adjustments, where necessary, in respect of prior years. Sneaky's asset or liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the balance sheet date in the countries where Sneaky's subsidiaries operate and generate taxable income.

Current tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

**Deferred taxation**

Deferred tax assets and liabilities are recognised using the liability method where the carrying amount of an asset or liability in the statement of financial position differs from its tax base, except for differences arising on:

- the initial recognition of goodwill;
- the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit; and
- investments in subsidiaries and jointly controlled entities where Sneaky is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised.

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the deferred tax liabilities/(assets) are settled/(recovered).

**Revenue recognition**

Sneaky derives revenue from the sale of virtual goods associated with its online games and the sale of advertising within its games.

***Online Games***

Sneaky operates its games as live services that allow players to play for free. Within these games, players can purchase virtual currency to obtain virtual goods to enhance their game-playing experience. Players can pay for its virtual currency using Facebook Credits when playing its games through the Facebook platform, and can use other payment methods such as credit cards or PayPal on other platforms. Upon redemption of virtual currency in one of its games and delivery of the purchased virtual currency to the player, these amounts are reclassified to deferred revenue.

Sneaky recognises revenue when all of the following conditions are satisfied: (1) there is persuasive evidence of an arrangement; (2) the service has been provided to the player; (3) the collection of its fees is reasonably assured; and (4) the amount of fees to be paid by the player is fixed or determinable. For purposes of determining when the service has been provided to the player, Sneaky has determined that an implied obligation exists to the paying player to continue displaying the purchased virtual goods within the online game over their estimated life or until they are consumed. The proceeds from the sale of virtual goods are initially recorded in deferred revenue. Sneaky categorises its virtual goods as either consumable or durable. Consumable virtual goods represent goods that can be consumed by a specific player action. For the sale of consumable virtual goods, Sneaky recognises revenue as the goods are consumed, which is within days. Durable virtual goods represent virtual goods that are accessible to the player over an extended period of time. Sneaky recognises revenue from the sale of durable virtual goods ratably over the estimated average playing period of paying players for the applicable game, which represents its best estimate of the estimated average life of durable virtual goods.

Sneaky assesses the estimated average playing period for paying players and the estimated average life of its virtual goods periodically. The estimated average playing period of paying players for games during the year ended 31 December 2010 and the nine months ended 30 September 2011 was eight months.

**Standards, amendments and interpretations to published standards not yet effective**

The following standards, interpretations and amendments, have been published but are not effective for the periods presented and Sneaky has chosen not to early adopt.

- IAS 24 (Revised): Related party disclosures (from 1 January 2011)
- IFRS 7 (Amendment): Disclosures – transfers of financial assets (from 1 July 2011)
- Improvements to IFRS (2010) (from 1 January 2011)
- IFRS 9: Financial Instruments (from 1 January 2013)
- IAS 12 amendment: Deferred tax: recovery of underlying assets (from 1 January 2012)
- IAS 28 Revised 2011 (from 1 January 2013)
- IFRS 11 Joint arrangements (from 1 January 2013)
- IFRS 13 Fair value measurement (from 1 January 2013)

Sneaky is currently assessing the impact of these amendments, revisions and interpretations on its historical financial information but, at this stage, with the exception of IFRS 9 does not consider that they will have a significant material effect save for any additional disclosure requirements.

IFRS 9: Financial Instruments (effective for accounting periods beginning on or after 1 January 2013). It is envisaged that this standard will replace IAS 39: Financial Instruments: Recognition and Measurement in its entirety. Sneaky is currently assessing the impact of the new standard on its historical financial information.

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## 3. Critical accounting judgements and key sources of estimation uncertainty

**Critical judgments in applying Sneaky’s accounting policies**

In the application of Sneaky’s accounting policies, which are described in note 2, the directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis.

**Key sources of estimation uncertainty**

The following is the critical judgment that the directors have made in the process of applying Sneaky's accounting policies that has the most significant effect on the amounts recognised in the historical financial information.

***Useful lives of intangible assets and property, plant and equipment***

Intangible assets and property, plant and equipment are amortised or depreciated over their useful lives. Useful lives are based on the management's estimates of the period that the assets will generate revenue, which are periodically reviewed for continued appropriateness. Changes to estimates can result in significant variations in the carrying value and amounts charged to the statement of comprehensive income in specific periods. More details including carrying values are included in the notes.

***Taxation***

Significant judgement is required in determining the provision for income taxes. During the ordinary course of business, there are transactions and calculations for which the ultimate tax determination is uncertain. As a result, Sneaky recognises tax liabilities based on estimates of whether additional taxes and interest will be due. These tax liabilities are recognised when Sneaky believes that certain positions are likely to be challenged and may not be fully sustained upon review by tax authorities. Sneaky believes that its accruals for tax liabilities are adequate for all open audit years based on its assessment of many factors including past experience and interpretations of tax law. This assessment relies on estimates and assumptions and may involve a series of complex judgments about future events. To the extent that the final tax outcome of these matters is different than the amounts recorded, such differences will impact income tax expense in the period in which such determination is made.

***Provisions***

Sneaky recognises provisions in accordance with its accounting policy described note 2. In arriving at estimates for the provisions, estimates and judgements are made, in particular with regard to timing and amount. Calculations are based on anticipated future cash flows relating to the relevant event, which are estimated by management, and where appropriate supported by the use of external advisors.

## 4. Segmental reporting

A segment is a distinguishable component of Sneaky that is engaged in providing products or services within a particular economic environment. The principal activities of Sneaky are reported under one segment. This is the basis on which the management analyses performance. Sneaky generates its results predominantly in one geographical segment within the United States. Additionally the majority of its non-current assets are based in the United States.

## 5. Financial instruments and risk management

***Principal financial instruments***

The principal financial instruments used by Sneaky, from which financial instrument risk arises, are as follows:

- Cash and cash equivalent
- Trade and other receivables
- Trade and other payables
- Loans and borrowings

A summary of the financial instruments held by category is provided below:

**Financial assets**

| | *Loans and receivables* | | |
|---|---|---|---|
| | *31 December 2009 US$* | *31 December 2010 US$* | *30 September 2011 US$* |
| Cash and cash equivalents | 10,122 | 80,046 | 213,823 |
| Trade receivables | – | 21,006 | 53,651 |
| Other receivables | – | 40,242 | 11,650 |
| Total financial assets | 10,122 | 141,294 | 279,124 |

**Financial liabilities**

| | *Financial liabilities at amortised cost* | | |
|---|---|---|---|
| | *31 December 2009 US$* | *31 December 2010 US$* | *30 September 2011 US$* |
| Trade and other payables | 30,550 | 161,673 | 115,673 |
| Loans and borrowings | – | 730,556 | 893,131 |
| **Total financial liabilities** | 30,550 | 892,229 | 1,008,804 |

Sneaky is exposed through its operations to the following financial risks:

- Credit risk
- Foreign exchange risk
- Liquidity risk

In common with all other businesses, Sneaky is exposed to risks that arise from its use of financial instruments. This note describes Sneaky's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout this historical financial information.

***General objectives, policies and processes***

The Board has overall responsibility for the determination of Sneaky's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to Sneaky's finance function. The Board receives monthly reports through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The overall objective of the Board is to set polices that seek to reduce risk as far as possible without unduly affecting Sneaky's competitiveness and flexibility. Further details regarding these policies are set out below:

**Credit risk**

Credit risk is the risk of financial loss to Sneaky if a customer or a counterparty to a financial instrument fails to meet its contractual obligations. Sneaky is mainly exposed to credit risk from credit sales. Trade receivables represent amounts due to Sneaky based on contractual obligations where a signed and executed contract or click-through agreement exists. Sneaky performs ongoing credit evaluations of its customers to assess the probability of accounts receivable collection. In cases where Sneaky is aware of circumstances that may impair a specific customer's ability to meet its financial obligations, it records a specific allowance as a reduction to the accounts receivable balance to reduce it to its net realisable.

Management determines concentrations of credit risk by regularly monitoring the creditworthiness rating of existing customers and through a monthly review of the trade receivables' ageing analysis. There is currently no particular concentration of credit risk to Sneaky's trade receivables as Sneaky has a relatively large number of customers.

Credit risk also arises from cash and cash equivalents and deposits with banks and financial institutions. Only independent financial institutions with high credit standings are used. Sneaky's main banking arrangements are with Prosperity Bank.

Sneaky does not enter into derivatives to manage credit risk.

Quantitative disclosures of the credit risk exposure in relation to trade and other receivables are provided in note 13.

### Market risk

Sneaky's activities expose it primarily to price risk. Sneaky uses its knowledge and experience to manage and minimise this risk.

### Interest rate risk

Sneaky is not currently exposed to significant interest rate risk as it has no borrowings other than fixed rate preference stock and it currently only maintains working capital cash in the bank.

### Foreign exchange risk

Sneaky is not currently exposed to significant currency risk as the currency of the primary economic environment in which it operates is US$, and therefore all transactions are in US$ as is the reporting currency of Sneaky.

### Liquidity risk

Liquidity risk arises from Sneaky's management of working capital. It is the risk that Sneaky will encounter difficulty in meeting its financial obligations as they fall due.

Sneaky's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. To achieve this aim, Sneaky finances its operations through a mix of equity and working capital. Sneaky's objective is to provide funding for future growth and achieve a balance between continuity and flexibility.

The Board receives cash flow projections on a regular basis as well as information regarding cash balances. At the end of the financial period, these projections indicated that Sneaky expected to have sufficient liquid resources to meet its obligations under all reasonably expected circumstances.

**Sneaky Games, Inc.**

**Notes to the historical financial information (continued)**

The following table sets out the contractual maturities (representing undiscounted contractual cash flows) of financial liabilities:

| | *Up to 3 months US$* | *3 to 12 months US$* | *1 and 2 years US$* |
|---|---|---|---|
| At 31 December 2009 | | | |
| Trade and other payables | 30,550 | – | – |
| **Total** | 30,550 | – | – |
| At 31 December 2010 | | | |
| Trade and other payables | 161,673 | – | – |
| Loans and borrowings | – | – | 730,556 |
| **Total** | 161,673 | – | 730,556 |
| At 30 September 2011 | | | |
| Trade and other payables | 115,674 | – | – |
| Loans and borrowings | – | 893,131 | – |
| **Total** | 115,674 | 893,131 | – |

More details in regard to the line items are included in the respective notes:

Trade and other payables – note 14
Loans and borrowings – note 15

**Capital Management**

Sneaky monitors capital which comprises all components of equity (i.e. share capital, reserves and retained earnings).

Sneaky's objectives when maintaining capital are:

- to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

Sneaky sets the amount of capital it requires in proportion to risk. Sneaky manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, Sneaky may adjust the amount of dividends paid to shareholders, return capital to shareholders, or issue new shares.

**6. Revenue**

| | *Year ended 31 December 2010 US$* | *9 month period ended 30 September 2011 US$* |
|---|---|---|
| Revenue arises from: | | |
| Business development services | 152,860 | 514,554 |
| Software sales and commissions | 185,478 | 658,707 |
| Marketing revenue | – | 35,000 |
| | 338,338 | 1,208,261 |

During the period, 2 customers (2010: 1 customer) accounted for total revenue of US$1,089,105 (2010: US$183,169).

**7. (Loss)/profit from operations**

Loss from operations is arrived at after taking the following into consideration:

| | *Year ended 31 December 2010 US$* | *9 month period ended 30 September 2011 US$* |
|---|---|---|
| Depreciation | 1,939 | 1,734 |
| Amortisation of intangible assets | 54,000 | – |
| Research and development expenses | – | 1,750 |
| Operating lease expenses | | |
| – Premises | 18,751 | 33,344 |

**8. Staff costs and employee information**

| | *Year ended 31 December 2010 US$* | *9 month period ended 30 September 2011 US$* |
|---|---|---|
| Staff costs (including directors) comprise: | | |
| Wages and salaries | 605,159 | 467,988 |
| Social security costs | 47,841 | 37,564 |
| | 653,000 | 505,552 |

The average number of persons, including executive directors, employed by Sneaky during the period was 17 (2010: 15).

**Directors' and key management personnel remuneration**

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of Sneaky. Key management personnel refers to the sole Executive Director of Sneaky.

| | *Year ended 31 December 2010 US$* | *9 month period ended 30 September 2011 US$* |
|---|---|---|
| Salary | 120,000 | 141,830 |

## 9. Finance expense

| | *Year ended 31 December 2010 US$* | *9 month period ended 30 September 2011 US$* |
|---|---|---|
| Interest expense on financial liabilities measured at amortised cost | 140,556 | 162,575 |
| Other interest payable | – | 123 |
| | 140,556 | 162,698 |

## 10. Taxation

| | *Year ended 31 December 2010 US$* | *9 month period ended 30 September 2011 US$* |
|---|---|---|
| **Current tax expense** | | |
| Current tax on losses for the year | – | – |
| **Deferred tax expense** | | |
| Origination and reversal of temporary differences | 252,218 | (54,060) |
| **Total income tax expense** | 252,218 | (54,060) |

The reasons for the difference between the actual tax charge for the period and the standard rate of corporation tax in the United States applied to losses for the period are as follows:

| | *Year ended 31 December 2010 US$* | *9 month period ended 30 September 2011 US$* |
|---|---|---|
| Loss before tax | (916,573) | (9,918) |
| Expected tax benefit based on the standard rate of corporation tax at the domestic rate of 34% (31 December 2010: 34%) | (311,635) | (3,372) |
| Expenses not deductible for tax purposes | 59,417 | 57,432 |
| **Total tax (credit)/expense** | (252,218) | 54,060 |

**Sneaky Games, Inc.**

**Notes to the historical financial information (continued)**

**11. Property, plant and equipment**

| | *Office and computer equipment* *US$* |
|---|---|
| **Cost** | |
| At 1 January 2010 | – |
| Additions | 9,759 |
| **At 31 December 2010** | 9,759 |
| **Depreciation** | |
| At 1 January 2010 | – |
| Provided during the year | 1,939 |
| **At 31 December 2010** | 1,939 |
| **Net Book value** | |
| **At 31 December 2010** | 7,820 |
| **Cost** | |
| At 1 January 2011 | 9,759 |
| Additions | 8,111 |
| **At 30 September 2011** | 17,870 |
| **Depreciation** | |
| At 1 January 2011 | 1,939 |
| Provided during the period | 1,734 |
| **At 30 September 2011** | 3,673 |
| **Net book value** | |
| **At 30 September 2011** | 14,197 |

**Sneaky Games, Inc.**

**Notes to the historical financial information (continued)**

**12. Intangible assets**

| | *Games development costs* |
|---|---|
| | *US$* |
| **Net book value** | |
| **At 1 January 2010** | – |
| **Cost** | |
| At 1 January 2010 | – |
| Additions | 54,000 |
| **At 31 December 2010** | 54,000 |
| **Amortisation** | |
| At 1 January 2010 | – |
| Provided during the year | 54,000 |
| **At 31 December 2010** | 54,000 |
| **Net book value** | |
| **At 31 December 2010** | – |
| **Cost** | |
| At 1 January 2011 | 54,000 |
| Additions | – |
| **At 30 September 2011** | 54,000 |
| **Amortisation** | |
| At 1 January 2011 | 54,000 |
| Provided during the period | – |
| **At 30 September 2011** | 54,000 |
| **Net book value** | |
| **At 30 September 2011** | – |

## 13. Trade and other receivables

| | *31 December 2009 US$* | *31 December 2010 US$* | *30 September 2011 US$* |
|---|---|---|---|
| Trade receivables | – | 21,006 | 66,151 |
| Allowance for bad debts | – | – | (12,500) |
| | – | 21,006 | 53,651 |
| Deposit | – | – | 4,650 |
| Prepayments | – | – | 5,000 |
| Accrued income | – | 40,242 | 7,000 |
| | – | 61,248 | 70,301 |

There is no material difference between the net book value and the fair values of trade and other receivables due to their short term nature.

Trade receivables that have not been received within the payment terms are classified as overdue. As at 30 September 2011 no trade receivables (31 December 2010: US$Nil) were overdue but not impaired. The ageing analysis of trade receivables is as follows:

| | *31 December 2009 US$* | *31 December 2010 US$* | *30 September 2011 US$* |
|---|---|---|---|
| Up to 3 months | – | 21,006 | 53,651 |

As at 30 September 2011 trade receivables of US$12,500 (31 December 2010 and 2009: US$Nil) were past due and impaired. The provision for impairment is analysed as follows:

| | *31 December 2010 US$* | *30 September 2011 US$* |
|---|---|---|
| At beginning of the period | – | – |
| Provided during the period | – | 12,500 |
| Utilised during the period | – | – |
| **At end of the period** | – | 12,500 |

The provision for impaired receivables has been included in the statement of comprehensive income under administrative expenses.

There is no particular concentration of credit risk to Sneaky's trade receivables as Sneaky has a relatively large number of customers.

Other classes of financial assets included within trade and other receivables do not contain impaired assets.

## 14. Trade and other payables

| | *31 December 2009 US$* | *31 December 2010 US$* | *30 September 2011 US$* |
|---|---|---|---|
| Trade payables | 5,400 | 44,108 | 51,898 |
| Accruals | 15,000 | 18,565 | 45,510 |
| Other payables | 10,150 | 99,000 | 18,265 |
| Deferred revenue | – | 139,886 | 182,436 |
| | 30,550 | 301,559 | 298,109 |

There is no material difference between the net book value and the fair values of trade and other payables due to their short term nature.

Maturity analysis of the trade and other payables, classified as financial liabilities measure at amortised cost, is as follows (the amounts shown are undiscounted and represent the contractual cash flows):

| | *31 December 2009 US$* | *31 December 2010 US$* | *30 September 2011 US$* |
|---|---|---|---|
| Up to 3 months | 30,550 | 161,673 | 115,673 |

## 15. Loans and borrowings

| | *31 December 2009 US$* | *31 December 2010 US$* | *30 September 2011 US$* |
|---|---|---|---|
| **Non-current** | | | |
| Preferred stock | – | 730,556 | – |

| | *31 December 2009 US$* | *31 December 2010 US$* | *30 September 2011 US$* |
|---|---|---|---|
| **Current** | | | |
| Preferred stock | – | – | 893,131 |

There is no material difference between the book value and the fair value of preferred stock.

The preferred stock is considered to be debt instruments following the director's expectation of a trade sale (see note 21) and attract a cumulative preference dividend along with a priority distribution of 1.5 times the purchase price. Both the accrued dividend and priority distribution have been taken into account when calculating the amortised cost interest expense (see note 9).

## 16. Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 34% (31 December 2009: 34%).

The movement on the deferred tax account is as shown below:

| | *31 December 2010 US$* | *30 September 2011 US$* |
|---|---|---|
| Opening balance | – | 252,218 |
| Recognised in comprehensive income | 252,218 | (54,060) |
| **Closing balance** | 252,218 | 198,158 |
| Recognised as follows: | | |
| Deferred tax assets – current portion | 56,558 | 203,977 |
| Deferred tax assets – non-current portion | 195,660 | – |
| Deferred tax liabilities – non-current portion | – | (5,819) |
| | 252,218 | 198,158 |

Details of the deferred tax assets and liabilities, amounts recognised in comprehensive income and amounts recognised in other comprehensive income are as follows:

**Deferred tax assets**

| | *Losses and other temporary and deductible differences US$* | *(Charged)/ credited to profit or loss US$* |
|---|---|---|
| **At 1 January 2010** | – | – |
| Comprehensive income credit | 255,764 | 255,764 |
| **At 31 December 2010** | 255,764 | 255,764 |
| Comprehensive income charge | (51,787) | (51,787) |
| **At 30 September 2011** | 203,977 | 203,977 |

**Deferred tax liabilities**

| | *Accelerated capital allowances US$* | *(Charged)/ credited to profit or loss US$* |
|---|---|---|
| **At 1 January 2010** | – | – |
| Comprehensive income (charge)/credit | 3,546 | 3,546 |
| **At 31 December 2010** | 3,546 | 3,546 |
| Comprehensive income (charge)/credit | 2,273 | 2,273 |
| **At 30 September 2011** | 5,819 | 5,819 |

**Sneaky Games, Inc.**

**Notes to the historical financial information (continued)**

## 17. Share capital

A breakdown of the issued share capital in place as at 30 September 2011 is as follows:

| | *31 December 2009* | | *31 December 2010* | | *30 September 2011* | |
|---|---|---|---|---|---|---|
| | *Number* | *US$* | *Number* | *US$* | *Number* | *US$* |
| **Authorised** | | | | | | |
| Common stock at US$0.01 each | 13,000,000 | 130,000 | 13,000,000 | 130,000 | 13,000,000 | 130,000 |
| Preferred stock at US$0.01 each | 8,000,000 | 80,000 | 8,000,000 | 80,000 | 8,000,000 | 80,000 |
| **Total authorised share capital each** | 21,000,000 | 210,000 | 21,000,000 | 210,000 | 21,000,000 | 210,000 |
| **Issued and fully paid** | | | | | | |
| At beginning of the period | – | – | 8,800,000 | 88,000 | 8,800,000 | 88,000 |
| Issued during the period | 8,800,000 | 88,000 | – | – | – | – |
| **At end of the period** | 8,800,000 | 88,000 | 8,800,000 | 88,000 | 8,800,000 | 88,000 |

The nominal value of all above stock is US$0.01.

The preferred stock has been classified as a liability (see note 15).

## 18. Reserves

**Accumulated deficit**

Cumulative net gains and losses are recognised in the statement of comprehensive income.

## 19. Notes supporting cash flow statement

Cash and cash equivalents comprise:

| | *31 December 2009 US$* | *31 December 2010 US$* | *30 September 2011 US$* |
|---|---|---|---|
| Cash and cash equivalents | 10,122 | 80,046 | 213,823 |

There were no significant non-cash transactions in the period.

Cash and cash equivalents comprise cash held by Sneaky and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximates their fair value.

## 20. Related parties

***Trading transactions***

During the period Sneaky received trading income from Net-Recon totalling US$31,707 (2010: US$64,837), of which US$Nil (2010: US$Nil) was outstanding at the period end.

David Godwin is a stockholder and director in both Sneaky and Net-Recon.

During the period Sneaky incurred expenditure from Concept Art House, Inc. totalling US$32,525 (2010: US$Nil), of which US$12,055 (2010: US$Nil) was outstanding at the period end.

Although Concept Art House was not a related party in the period, both Sneaky Games and Concept Art House will be related parties following completion of the Acquisitions.

Services were considered rendered at market prices.

**Sneaky Games, Inc.**

**Notes to the historical financial information (continued)**

The compensation paid to the director is shown below:

| | *Year ended 31 December 2010 US$* | *9 month period ended 30 September 2011 US$* |
|---|---|---|
| Salary | 120,000 | 141,830 |

## 21. Contingencies and commitments

*Operating leases*

The total value of future minimum lease payments is due as follows:

| | *Land and buildings 31 December 2010 US$* | *Land and buildings 30 September 2011 US$* |
|---|---|---|
| Not later than one year | – | 49,596 |
| Later than one year and not later than five years | – | 37,197 |
| Later than five years | – | – |
| | – | 86,793 |

## 22. Events after the balance sheet date

There are no matters that occurred between the reporting date and the date of approval of this historical financial information that the directors wish to draw attention to.

Following the completion of the above transaction, the company intends to obtain shareholder approval to change the class rights of the preferred stock (see note 15) to enable it to be reclassified as equity.

# PART 8

# INTERIM FINANCIAL STATEMENTS ON EXPEDITE 5, INC. AND ITS SUBSIDIARY UNDERTAKINGS FOR THE PERIOD ENDED 30 SEPTEMBER 2011

**Expedite 5, Inc.**

**Consolidated Statement of Financial Position**
30 September 2011

| | *Note* | *Unaudited As at 30 September 2010 USD* | *Unaudited As at 30 September 2011 USD* |
|---|---|---|---|
| Property, plant and equipment | 13 | 30,108 | 17,139 |
| Intangible assets | 12 | 973,851 | 219,805 |
| **Non-current assets** | | 1,003,959 | 236,944 |
| Trade and other receivables | 14 | 213,234 | 102,714 |
| Cash and cash equivalents | | 2,294,142 | 380,212 |
| **Current assets** | | 2,507,376 | 482,926 |
| **Total assets** | | 3,511,335 | 719,870 |
| Trade and other payables | 15 | 571,258 | 696,592 |
| Contingent consideration | 16 | 252,944 | – |
| **Current liabilities** | | 824,202 | 696,592 |
| **Net current (liabilities)/assets** | | 1,683,175 | (213,666) |
| **Non-current liabilities** | | – | – |
| **Net assets** | | 2,687,133 | 23,278 |
| **Capital and reserves attributable to equity holders of the Group** | | | |
| Share capital | 18 | 13,256 | 15,378 |
| Share premium | 19 | 5,845,587 | 7,925,932 |
| Foreign currency translation reserve | | 1,793 | (31,164) |
| Accumulated loss | | (3,173,503) | (7,886,868) |
| **Total equity** | | 2,687,133 | 23,278 |

These financial statements were approved by the Board of Directors and authorised for issue on 11 April 2012. They were signed on its behalf by:

Rob Gorle

**Expedite 5, Inc.**

**Consolidated Income Statement**
9 months ended 30 September 2011

| | Note | *Unaudited 9 month period ended 30 September 2010 USD* | *Unaudited 9 month period ended 30 September 2011 USD* |
|---|---|---|---|
| Revenue | 2 | 13,687 | 72,560 |
| Cost of sales | | (17,035) | (84,408) |
| **Gross profit** | | (3,348) | (11,848) |
| Depreciation | 13 | 5,909 | 9,733 |
| Amortisation | 12 | 190,083 | 465,670 |
| Restructuring costs | | – | 61,837 |
| Impairment of intangibles | 12 | – | 1,128,226 |
| Release of contingent consideration | 16 | – | (258,872) |
| Release of deferred salaries due to directors | | – | (471,651) |
| Other administrative expenses | 7 | 2,103,840 | 2,411,876 |
| Total administrative costs | | 2,299,832 | 3,346,819 |
| **Loss from operations** | 6 | (2,303,180) | (3,358,667) |
| Finance income | 8 | 1 | 44 |
| Finance expense | 9 | (1,872) | (11,540) |
| **Loss before taxation** | | (2,305,051) | (3,370,163) |
| Taxation | 10 | – | – |
| **Loss for the financial period** | | (2,305,051) | (3,370,163) |
| **Loss per share** | | (0.20) | (0.23) |

**Expedite 5, Inc.**

**Consolidated Statement of Comprehensive Income**
9 months ended 30 September 2011

| | *Note* | *Unaudited 9 month period ended 30 September 2010 USD* | *Unaudited 9 month period ended 30 September 2011 USD* |
|---|---|---|---|
| **Loss for the financial period** | | (2,305,051) | (3,370,163) |
| **Other comprehensive income** | | | |
| Foreign currency translation differences | | 1,793 | (31,164) |
| **Total other comprehensive loss** | | 1,793 | (31,164) |
| **Total comprehensive loss** | | (2,303,258) | (3,401,327) |
| **Attributable to equity holders of the parent** | | (2,303,258) | (3,401,327) |

**Expedite 5, Inc.**

**Consolidated Statement of Cash Flows**
9 months ended 30 September 2011

| | *Note* | *Unaudited 9 month period ended 30 September 2010 USD* | *Unaudited 9 month period ended 30 September 2011 USD* |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Loss for the period | | (2,305,051) | (3,370,163) |
| Adjustments for: | | | |
| Depreciation of property, plant and equipment | 13 | 5,909 | 9,733 |
| Amortisation of intangible assets | 12 | 190,083 | 465,670 |
| Impairment of intangible assets | 12 | – | 1,128,226 |
| Release of contingent consideration | 16 | – | (258,872) |
| Operating cash flows before movements in working capital | | (2,109,059) | (2,025,406) |
| (Increase)/decrease in trade and other receivables | | (161,222) | 164,928 |
| Increased/(decrease) in trade and other payables | | 480,209 | (30,362) |
| **Cash used in operations** | | (1,790,070) | (1,890,840) |
| **Net cash used in operating activities** | | (1,790,070) | (1,890,840) |
| **Cash flows from investing activities** | | | |
| Purchase of property, plant and equipment | 13 | (21,854) | (1,051) |
| Purchase of intangible assets | 12 | (750,783) | (387,292) |
| **Net cash used in investing activities** | | (772,637) | (388,343) |
| **Cash flows from financing activities** | | | |
| Issue of ordinary share capital | | 4,719,200 | 1,882,467 |
| Costs of issue of ordinary share capital | | (39,480) | – |
| Payment of contingent consideration | 16 | (65,616) | – |
| **Net cash generated from financing activities** | | 4,614,104 | 1,882,467 |
| **Effect of exchange rate on cash and cash equivalents** | | 16,009 | (61,868) |
| **Net increase/(decrease) in cash and cash equivalents** | | 2,067,406 | (458,584) |
| Cash and cash equivalents at the beginning of the period | | 226,736 | 838,796 |
| **Cash and cash equivalents at the end of the period** | 20 | 2,294,142 | 380,212 |

Cash and cash equivalents (which are presented as a single class of assets on the face of the consolidated balance sheet) comprise cash at bank and other short-term highly liquid investments with a maturity of three months or less.

**Expedite 5, Inc.**

**Consolidated Statement of Changes in Equity**
9 months ended 30 September 2011

| *Unaudited* | *Share Capital USD* | *Share premium USD* | *Foreign currency translation reserve USD* | *Accumulated Loss USD* | *Total USD* |
|---|---|---|---|---|---|
| **At 1 January 2011** | 13,756 | 6,045,087 | (25,806) | (4,516,705) | 1,516,332 |
| Issue of shares | 1,622 | 1,880,845 | – | – | 1,882,467 |
| Loss for the period | – | – | – | (3,370,163) | (3,370,163) |
| Other comprehensive income: | | | | | |
| Movement in foreign exchange reserve | – | – | (5,358) | – | (5,358) |
| **At 30 September 2011** | 15,378 | 7,925,932 | (31,164) | (7,886,868) | 23,278 |

| *Unaudited* | *Share Capital USD* | *Share premium USD* | *Foreign currency translation reserve USD* | *Accumulated Loss USD* | *Total USD* |
|---|---|---|---|---|---|
| **At 1 January 2010** | 7,480 | 1,171,642 | (16,516) | (868,453) | 294,153 |
| Issue of shares | 5,776 | 4,673,945 | – | – | 4,679,721 |
| Loss for the period | – | – | – | (2,305,050) | (2,305,050) |
| Other comprehensive income: | | | | | |
| Movement in foreign exchange reserve | – | – | 18,309 | – | 18,309 |
| **At 30 September 2010** | 13,256 | 5,845,587 | 1,793 | (3,173,503) | 2,687,133 |

**Expedite 5, Inc.**

**Notes to Consolidated Accounts**
9 months ended 30 September 2011

## 1. General information

Expedite 5, Inc. is a company incorporated in Delaware, the United States. The address of the registered office is 21 Arlington Street, London SW1A 1RN. The principal activities of Expedite 5, Inc., including its subsidiaries (the "Group") are the provision and support of products and services in the interactive media, advertising and gaming markets.

The directors have chosen to present these financial statements in the United States Dollars (USD). The functional currency of the Group is Great British Pounds (GBP) which is the primary economic environment in which the Group operates. Foreign operations are included in accordance with the policies set out in note 2.

***Going Concern***

The condensed consolidated financial statements have been prepared on the assumption that the Group will continue as a going concern. This basis of accounting contemplates the recovery of the Company's assets and the satisfaction of its liabilities in the normal course of operations. The ability of the Company to continue as a going concern is dependent on the Company's ability to implement its business plan and raise capital against a planned acquisition strategy. The financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern. The audit report from the Group's independent registered public accountants on its financial statements for the year ended 31 December 2010 included an emphasis of matter paragraph relating to substantial doubt about the Company's ability to continue as a going concern.

The Group's cash balance as of 30 September 2011 was $380,212. The Group's total current assets as of the reporting date amounted to $482,926 and total current liabilities were $696,592 resulting in a net working liability of $213,666. The Group's incurred a net loss and revenues for the nine month period ended 30 September 2011 of $3,370,163 and $72,560 respectively.

During 2011 and up to the date of these financial statements, the Group has made significant progress in our financing process. In particular, the progress towards the AIM listing represents an important step towards our core strategy, which is based on the acquisition of a number of companies to create greater value for the Company.

The Group has identified cash generative targets with existing successful product launches within one of the core areas of online browser, social network games, and mobile game applications. The Group has also completed financial and legal due diligence on the first target companies, and will sign the Sale and Purchase Agreements prior to Admission.

After considering the uncertainties above, the Board of Directors decided to continue to adopt the going concern basis in preparing the financial statements. In making its going concern assessment, the Board of Directors has taken into account following:

- Company's track record of past fundraising in 2010 and 2009
- Successful private placement in 2011
- Positive feedback from initial investor presentations prior to main roadshow
- A number of signed letters of intent ("LOI") from targets and others under discussion
- Ability to control and reduce costs in the short term due to low level of contractual commitments

Whilst there can be no assurance that the above efforts will be successful and the uncertainty of the Group's ability to obtain sufficient additional capital raises doubts about our ability to continue as a going concern, the Board of Directors believes that the advanced financing negotiations are reasonably capable of removing the threat to the continuation of the business during the twelve-month period following the most recent balance sheet presented.

## 2. Significant accounting policies

***Basis of accounting***

These financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations issued by the International Accounting Standards Board as adopted by European Union ("IFRSs"). The financial statements are prepared on a historical cost basis.

The principal accounting policies adopted are set out below.

***First time adoption***

The Group has adopted IFRS from 1 January 2009 ('the date of transition'); please refer to note 23, First Time Adoption of International Financial Reporting Standards, for details of the transition.

***Principles of Consolidation***

The consolidated financial statements for the nine month period ended 30 September 2011 include the financial statements of the Group, its 100 per cent. subsidiaries Zattikka Holdings Limited and Zattikka Ltd. All inter-Group transactions and balances have been eliminated on consolidation.

The Group's subsidiaries and affiliated companies and their principal activities as of 30 September 2011 are summarized as follows:

| *Group Name* | *Place of Incorporation of Organization* | *Attributable Equity Interest* | *Principal Activities* |
|---|---|---|---|
| Zattikka Holdings Ltd | British Virgin Islands | 100% | Investment Holding |
| Zattikka Ltd | United Kingdom | 100% | Operating |

***Business combinations***

The acquisition of subsidiaries or trade and assets, is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued or to be issued, by the Group in exchange for control of the acquiree. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair value at the acquisition date.

***Property, plant and equipment***

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment in value.

***Depreciation***

Depreciation is provided on all property, plant and equipment, other than freehold land, at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition, of each asset evenly over its expected useful life, as follows:

Office and computer equipment 33.3 per cent. per annum

The carrying values of property, plant and equipment are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable.

The asset's residual values, useful lives and methods are reviewed, and adjusted if appropriate, at each financial period end.

## 2. Significant accounting policies (continued)

### Intangible assets

Intangible assets with a finite useful represent items which have been separately identified under IFRS 3 arising in business combinations, or meet the recognition criteria of IAS 38, "Intangible Assets". Intangible assets acquired as part of a business combination are initially recognised at their fair value and subsequently amortised on a straight line basis over their useful economic lives. Intangible assets that meet the recognition criteria of IAS 38, "Intangible Assets" are carried at cost less amortisation and any impairment losses. Intangible assets comprise of completed technology and acquired software.

*Amortisation*

Amortisation of intangible assets acquired in a business combination is calculated over the following periods on a straight line basis:

Completed technology – over a useful life of 24 months to 6 months

*Internally-generated intangible assets – research and development expenditure*

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

Any internally-generated intangible asset arising from the Group's development projects are recognised only if all of the following conditions are met:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale.
- The intention to complete the intangible asset and use or sell it.
- The ability to use or sell the intangible asset.
- How the intangible asset will generate probable future economic benefits. Among other things, the Group can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset.
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.
- Its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Internally-generated intangible assets are amortised on a straight-line basis over their useful lives of two years. Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

***Impairment of non financial assets***

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets 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).

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 for which the estimates of future cash flows have not been adjusted.

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 (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in the statement of comprehensive income as an expense immediately.

## 2. Significant accounting policies (continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset (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 periods. A reversal of an impairment loss is recognised as income immediately

***Financial instruments***

Financial assets and financial liabilities are recognised on the Group's balance sheet at fair value when the Group becomes a party to the contractual provisions of the instrument.

***Trade receivables***

Trade receivables represent amounts due from customers in the normal course of business. All amounts are initially stated at their fair value and are subsequently carried at amortised costs, less provision for impairment.

***Cash and cash equivalents***

Cash and cash equivalents include cash at hand and deposits held at call with banks with original maturities of three months or less.

***Financial liabilities and equity instruments***

Financial liabilities and equity instruments 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. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Financial instruments issued by the Group are treated as equity only to the extent that they do not meet the definition of a financial liability. The Group's ordinary shares are classified as equity. When new shares are issued, they are recorded in share capital at their par value. The excess of the issue price over the par value is recorded in the share premium reserve. Incremental external costs directly attributable to the issue of new shares (other than in connection with a business combination) are recorded in equity as a deduction, net of tax, to the share premium reserve.

***Trade payables***

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

### Taxation

The tax expense represents the sum of the current tax and deferred tax charges. The tax currently payable is based on taxable profit for the period. Taxable profit differs from net profit as reported in the income statement 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 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 is the tax expected to be payable or recoverable 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 is accounted for using the balance sheet liability method. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

## 2. Significant accounting policies (continued)

The carrying amount of deferred tax assets is reviewed at each balance sheet 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 is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

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 Group intends to settle its current tax assets and liabilities on a net basis.

***Common shares and additional paid in capital***

As equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Common shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from proceeds.

***Warrants***

Any consideration received on granting of warrants is credited directly to equity. On exercise, the proceeds received net of any directly attributable transaction costs are credited to common shares (nominal value) and additional paid in capital.

Warrants granted in exchange for the provision of services are recognised at fair value, with a corresponding entry to the equity. On exercise, the proceeds received net of any directly attributable transaction costs are credited to common shares (nominal value) and additional paid in capital.

***Revenue recognition***

Revenue is recognized when (a) persuasive evidence of an arrangement exists, (b) delivery has occurred, (c) a fee is fixed or determinable, and (d) collectability is probable.

The Group recognizes advertising revenue after the advertising display has been completed. The Group recognizes revenue for software application sales when the title transfers and risk of loss has passed to the customer, which is upon download of a product by the customer.

***Foreign exchange***

Transactions entered into by Group entities in a currency other than the currency of the primary economic environment in which they operate (their "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the reporting date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised immediately in the income statement. When a gain or loss on a non-monetary item is recognised in income statement, any exchange component of that gain or loss shall be recognised in the income statement.

On consolidation, the results of overseas operations are translated into US Dollars at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations, including goodwill arising on the acquisition of those operations, are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income and accumulated in the foreign exchange reserve.

On disposal of a foreign operation, the cumulative exchange differences recognised in the foreign exchange reserve relating to that operation up to the date of disposal are transferred to the consolidated statement of comprehensive income as part of the profit or loss on disposal.

## 2. Significant accounting policies (continued)

***Contingent consideration***

Contingent consideration represents the management's best estimate of amounts required to settle future liabilities discounted where time value of money is considered to be material.

## 3. Standards not yet effective to the Group

***Standards, amendments and interpretations to published standards not yet effective***

At the date of authorization of these financial statements, the following new standards and interpretations which have not been applied in these financial statements were in issue but not yet effective (and in some cases had not yet been adopted by the EU).

| *IFRS/Amendment* | *Application date of the Standard* | *Application date for the Group* |
|---|---|---|
| IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments | 1 July 2010 | 1 January 2012 |
| IAS 24(Revised) Related Party Disclosures | 1 January 2011 | 1 January 2012 |
| IFRIC 14 , IAS 19 (Amendment) Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction | 1 January 2011 | 1 January 2012 |
| IFRS 9 Financial Instruments: Classification and Measurement | 1 January 2013 | 1 January 2013 |
| IFRS 7 Financial Instruments: Disclosures | 1 January 2012 | 1 January 2012 |
| IAS 12 amendment: Deferred tax: recovery of underlying assets | 1 January 2012 | 1 January 2012 |
| IAS 27 Revised 2011: Separate financial statements | 1 January 2013 | 1 January 2013 |
| IAS 28 Revised 2011 | 1 January 2013 | 1 January 2013 |
| IAS 32 Amendment: Classification if rights issues | 1 February 2010 | 1 January 2012 |
| IFRS 1 Amendment: Severe hyperinflation and removal of fixed dates for first-time adopters | 1 July 2011 | 1 January 2012 |
| IFRS 10 Consolidated financial statements | 1 January 2013 | 1 January 2013 |
| IFRS 11 Joint arrangements | 1 January 2013 | 1 January 2013 |
| IFRS 12 Disclosure of interests in other entities | 1 January 2013 | 1 January 2013 |
| IFRS 13 Fair value measurement | 1 January 2013 | 1 January 2013 |

The Directors of E5 are currently assessing the impact of IFRS 10 Consolidated Financial Statements on its results, financial position and cash flows and related disclosures. With the exception of IFRS 10 Consolidated Financial Statements, the Directors of E5 do not anticipate that the adoption of these new standards and interpretations will have a material impact of the Group's financial statements in the period of initial application when the relevant standards come into effect for the periods commencing on or after 1 January 2012.

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

***Critical judgments in applying the Group's accounting policies***

In the application of the Group's accounting policies, which are described in note 2, the directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis.

## 4. Critical accounting judgements and key sources of estimation uncertainty (continued)

***Key sources of estimation uncertainty***

The following is the critical judgment that the directors have made in the process of applying the Group's accounting policies that has the most significant effect on the amounts recognized in the financial statements.

***Useful economic life of intangibles***

Intangible assets are amortised over their useful lives. Useful lives are based on management's estimates of the period that the assets will generate revenue, which are periodically reviewed for continued appropriateness.

***Capitalised development costs***

Any internally generated intangible asset arising from the Group's development projects are recognised only once all the conditions set out in the accounting policy Internally Generated Intangible Assets are met. The amortisation period of capitalised development costs is determined by reference to the expected flow of revenues from the product based on historical experience. Furthermore, the Group reviews at the end of each financial year the capitalised development costs for each product for any loss of value compared to net book value at that time, based on expected future contribution less the total expected costs.

***Contingent consideration***

Fair value assessment of contingent consideration due to Gimme5games shareholders requires accounting judgement. Contingent consideration is based on the E5 Directors' best estimate of future obligations that may fall due. The fair value of the consideration is obtained by discounting to present value the amounts expected to be payable in the future.

***Impairment of intangible assets***

Determining whether intangible asset is impaired requires an estimation of the value in use. The value in use calculation requires the Group to estimate the future cash flows expected to arise in future periods. 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 Group operations. Actual events may vary materially from management expectation.

## 5. Segmental reporting

A segment is a distinguishable component of the Group that is engaged in providing products or services within a particular economic environment. The principal activities of the Group are reported under one segment. This is the basis on which the management analyses Group's performance. Group generates its results predominantly in one geographical segment within the United Kingdom. Additionally majority of its non-current assets are based in the United Kingdom. No customer generates more than 10 per cent. of the revenue.

## 6. Operating loss

Operating loss is arrived at after taking the following into consideration:

| | *9 month period ended 30 September 2010 USD* | *9 month period ended 30 September 2011 USD* |
|---|---:|---:|
| Depreciation | 5,909 | 9,733 |
| Amortisation of development costs | 190,083 | 465,670 |
| Restructuring costs | – | 61,837 |
| Impairment of intangibles | – | 1,128,226 |
| Foreign exchange transaction loss/(gain) | 25,633 | (3,097) |

**6. Operating loss (continued)**

| | *9 month period ended 30 September 2010 USD* | *9 month period ended 30 September 2011 USD* |
|---|---|---|
| Research and development expenses | 1,336,122 | 1,025,010 |
| Release of contingent consideration | – | (258,872) |
| Release of deferred salaries due to directors | – | (471,651) |

Analysis of auditor's remuneration is as follows:

| | *9 month period ended 30 September 2010 USD* | *9 month period ended 30 September 2011 USD* |
|---|---|---|
| Fees payable to the Group's auditors for the audit of the Group's financial statements | – | – |
| Fees payable to the Group's auditors for other services: | – | |
| Tax audit of the Group | 5,400 | 5,400 |
| Other services | 185,062 | – |

Upon completion of the group reorganisation outlined in note 22, the current period fees payable to auditors of £30,000 will be borne by Zattikka plc, the new parent of Expedite 5, Inc.

**7. Staff costs and employee information**

| | *9 month period ended 30 September 2010 USD* | *9 month period ended 30 September 2011 USD* |
|---|---|---|
| Staff costs (including directors) comprise: | | |
| Wages and salaries | 844,964 | 1,195,483 |
| Social security costs | 90,088 | 148,045 |
| Restructuring costs | – | 61,837 |
| Contractor costs | 380,414 | 295,737 |
| Other salary related costs | – | 41,752 |
| **Staff costs** | 1,315,466 | 1,742,854 |

The average number of persons, including executive directors, employed by the Group during the year was:

| | *9 month period ended 30 September 2010 USD* | *9 month period ended 30 September 2011 USD* |
|---|---|---|
| By activity | | |
| Finance and executive management | 3 | 4 |
| Platform and product development | 18 | 8 |
| Sales and marketing | 2 | 1 |
| | 23 | 13 |

## 7. Staff costs and employee information (continued)

### Directors and key management personnel remuneration

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group. Key management personnel include directors of the Group.

| | *9 month period ended 30 September 2010 USD* | *9 month period ended 30 September 2011 USD* |
|---|---|---|
| Salaries and fees | 329,757 | 393,047 |
| Social security costs | 38,669 | 50,701 |
| Other benefits | – | 22,875 |
| | 368,426 | 466,623 |

## 8. Finance income

| | *9 month period ended 30 September 2010 USD* | *9 month period ended 30 September 2011 USD* |
|---|---|---|
| Bank interest receivable | 1 | 44 |
| | 1 | 44 |

## 9. Finance expense

| | *9 month period ended 30 September 2010 USD* | *9 month period ended 30 September 2011 USD* |
|---|---|---|
| Interest and finance charges on loans and overdrafts | – | – |
| | | 6,193 |
| Other interest payable | 1,872 | 5,347 |
| | 1,872 | 11,540 |

Finance charges include all fees directly incurred to facilitate borrowing. These include professional fees paid to accounting practices, bank arrangement fees and fees to secure required guarantees.

## 10. Taxation

The tax assessed on the loss on ordinary activities for the period differs from the standard rate of tax of 21 per cent. The differences are reconciled below:

| | *9 month period ended 30 September 2010 USD* | *9 month period ended 30 September 2011 USD* |
|---|---|---|
| **Loss before taxation** | (2,305,051) | (3,370,163) |

## 10. Taxation (continued)

| | *9 month period ended 30 September 2010 USD* | *9 month period ended 30 September 2011 USD* |
|---|---|---|
| Loss on ordinary activities multiplied by 21% (2010: 21%) | (484,060) | (707,734) |
| Effect of expenses not deductible for tax purposes | | |
| Effect of non-taxable income | – | – |
| Losses not recognized | 484,060 | 707,734 |
| **Current period tax** | – | – |

***Deferred taxation***

Deferred taxation provided in the financial statements is nil (2009: $nil, 2010: $nil) and the amounts not recognised are as follows:

| | *9 month period ended 30 September 2010 USD* | *9 month period ended 30 September 2011 USD* |
|---|---|---|
| Depreciation in excess of capital allowances | 11,640 | 78,198 |
| Losses | 666,436 | 1,656,242 |

The gross value of tax losses carried forward at 30 September 2011 equals $7,886,868 (30 September 2010: $3,173,503).

***Deferred tax asset***

The deferred tax asset has not been recognised on the grounds that there is insufficient evidence at the balance sheet date that it will be recoverable. The asset would start to become potentially recoverable if, and to the extent that, the Group were to generate taxable income in the future.

## 11. Loss per share

| | *9 month period ended 30 September 2010 USD* | *9 month period ended 30 September 2011 USD* |
|---|---|---|
| Loss for the period | (2,305,051) | (3,370,163) |
| Weighted average number of shares | 12,011,218 | 14,460,627 |
| **Basic & diluted loss per share** | (0.19) | (0.23) |

At 30 September 2010, Notion Capital had a warrant to purchase 500,000 shares of our common stock at an exercise price of $1.00 per share in connection with the share issuance that occurred in June 2010. The fair value of this warrant at the time of issuance was $98,080, which was estimated using the Black-Scholes-Merton formula with the following assumptions: no dividends; risk-free interest rate of 1.33 per cent.; estimated life of half a year and volatility of 69 per cent. which was based on a comparison of peers in our industry due to our limited trading history. This amount was included in the net assets of the Group at the date of the share exchange and thus is included within the additional paid-in-capital balance. The warrant was not exercised during the exercise period and expired on 30 June 2011.

The authorised but not issued shares are not included in the earnings per share or diluted earnings per share. These shares have no voting rights and are non-convertible and therefore do not form part of the ordinary share capital used for the loss per share calculation.

## 12. Intangible assets

| | *Games catalogue* | *Internal games development costs* | *Outsourced games development costs* | *Total* |
|---|---|---|---|---|
| **Cost** | | | | |
| At 1 January 2011 | 464,131 | 707,332 | 548,448 | 1,719,911 |
| Effect of foreign exchange | 4,620 | 20,469 | 18,645 | 43,734 |
| Additions | – | 341,938 | 45,354 | 387,292 |
| Impairment | – | (574,515) | (553,711) | (1,128,226) |
| At 30 September 2011 | 468,751 | 495,224 | 58,736 | 1,022,711 |
| **Depreciation** | | | | |
| At January 2011 | 295,802 | 54,740 | – | 350,542 |
| Effect of foreign exchange | (2,828) | (8,667) | (1,811) | (13,306) |
| Provided during the period | 175,777 | 229,346 | 60,547 | 465,670 |
| At 30 September 2011 | 468,751 | 275,419 | 58,736 | 802,906 |
| **Net book value** | | | | |
| At 1 January 2011 | 168,329 | 652,592 | 548,448 | 1,369,369 |
| At 30 September 2011 | – | 219,805 | – | 219,805 |
| **Cost** | | | | |
| At January 2010 | 477,840 | – | – | 477,840 |
| Effect of foreign exchange | (3,569) | 11,798 | – | 8,229 |
| Additions | – | 372,947 | 377,836 | 750,783 |
| Impairment | – | – | – | – |
| At 30 September 2010 | 474,271 | 384,745 | 377,836 | 1,236,852 |
| **Amortisation** | | | | |
| At January 2010 | 66,229 | – | – | 66,229 |
| Effect of foreign exchange | 6,168 | 521 | – | 6,689 |
| Provided during the period | 170,585 | 19,498 | – | 190,083 |
| At 30 September 2010 | 242,982 | 20,019 | – | 263,001 |
| **Net book value** | | | | |
| At 1 January 2010 | 411,611 | – | – | 411,611 |
| At 30 September 2010 | 231,289 | 364,726 | 377,836 | 973,851 |

On 18 September 2009, the Company acquired the assets of gimme5games.com. This acquisition was accounted for as an asset purchase in accordance with IAS 38 "Intangible Assets". The Company acquired a catalogue of 60 flash browser games, and licences for a further 40. It also acquired various software tools and technologies and a number of web domain names.

The Company included these assets at fair value on the date of acquisition, which was based on the fair value of consideration. The total consideration for the acquisition consisted of $159,282 cash plus contingent consideration of up to $318,560 dependent on a set of traffic targets on gimme5games.com in the 15-month period following the acquisition. In March 2011, contingent consideration of $193,937 was released based on management's evaluation of the likelihood of achieving the full traffic target by the end of the target period. The target period ended on 18 June 2011 without achieving the target milestone traffic. Accordingly, the remaining contingent consideration of $64,935 was released in June (Contingent consideration at 30 September 2010: $252,944).

**12. Intangible assets (continued)**

Gimme5games intangible assets are classified as part of acquired intangible assets, and the assets are fully amortized as at 30 September 2011.

Based on management's assessment of future discounted cash flows, $1,128,226 of intangible assets were written off in the 9 months ended 30 September 2011 (9 months ended 30 September 2010: $nil) in relation to two browser games and two social network games.

Total research and development spend during the period ended 30 September 2011 was $1,109,420 of which $387,292 was capitalised. (30 September 2010: $1,353,157 research and development expenses of which $750,783 was capitalised.)

$55,390 of internally generated intangible assets relate to Social Network Application Platform ("SNAP"). SNAP is an in-house developed gaming platform which is designed as a shared service platform.

**13. Property, plant and equipment**

| | *Office and computer equipment* | *Total* |
|---|---|---|
| **Cost** | | |
| At 1 January 2011 | 37,312 | 37,312 |
| Effect of foreign exchange | 372 | 372 |
| Additions | 1,051 | 1,051 |
| Disposals | (1,688) | (1,688) |
| At 30 September 2011 | 37,047 | 37,047 |
| **Depreciation** | | |
| At January 2011 | 10,960 | 10,960 |
| Effect of foreign exchange | 110 | 110 |
| Provided during the period | 9,733 | 9,733 |
| Disposals | (894) | (894) |
| At 30 September 2011 | 19,909 | 19,909 |
| **Net book value** | | |
| At 1 January 2011 | 26,352 | 26,352 |
| At 30 September 2011 | 17,138 | 17,138 |
| **Cost** | | |
| At 1 January 2010 | 15,357 | 15,357 |
| Effect of foreign exchange | 917 | 917 |
| Additions | 21,854 | 21,854 |
| At 30 September 2010 | 38,128 | 38,128 |
| **Depreciation** | | |
| At January 2010 | 1,956 | 1,956 |
| Effect of foreign exchange | 155 | 155 |
| Provided during the period | 5,909 | 5,909 |
| At 30 September 2010 | 8,020 | 8,020 |
| **Net book value** | | |
| At 1 January 2010 | 13,401 | 13,401 |
| At 30 September 2010 | 30,108 | 30,108 |

## 14. Trade and other receivables

| | As at 30 September 2010 USD | As at 30 September 2011 USD |
|---|---|---|
| Trade receivables | – | 1,419 |
| Allowance for bad debts | – | – |
| VAT receivable | 154,030 | 47,010 |
| Prepayments and accrued income | 59,204 | 54,285 |
| | 213,234 | 102,714 |

The fair values of trade and other receivables are the same as book values as credit risk has been addressed as part of impairment provisioning and, due to the short term nature of the amounts receivable, they are not subject to other ongoing fluctuations in market rates.

Trade receivables net of allowances are less than 30 days old and all held in USD.

## 15. Trade and other payables

| | As at 30 September 2010 USD | As at 30 September 2011 USD |
|---|---|---|
| Trade payables | 345,890 | 421,322 |
| Other payables | 5,769 | 62,849 |
| Accruals | 219,598 | 212,421 |
| | 571,258 | 696,592 |

The fair values of trade and other payables are the same as book values as due to the short term nature of the amounts payable, they are not subject to other ongoing fluctuations in market rates.

The directors consider that the carrying amount of trade payables approximates to their fair value. Trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 124 days (30 September 2010: 79 days).

All financial liabilities have maturity days of less than 30 days.

## 16. Contingent consideration

The amounts classified as contingent consideration on the statement of financial position represents amounts payable to shareholders of Gimme5games which was acquired in September 2009.

| | As at 30 September 2010 USD | As at 30 September 2011 USD |
|---|---|---|
| Balance at beginning of the period | 318,560 | 247,536 |
| Effect of foreign exchange | – | 11,336 |
| Provision raised during the period | – | – |
| Amounts paid during the period | (65,616) | – |
| Provision released during the period | – | (258,872) |
| Balance at the end of the period | 252,944 | – |
| Classified as current liabilities | 252,944 | – |

## 17. Financial Instruments

***Capital risk management***

The Group uses various financial instruments, including cash, trade receivables and trade payables to finance the Group's operations. Working capital requirements are managed to maintain sufficient cash resources to enable the Group to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The existence of these financial instruments exposes the Group to a number of financial risks, the principal one being liquidity risk. The directors review and agree policies for managing these risks and they are summarised below. These policies have remained unchanged from previous years.

The Group's capital structure is as follows:

| | *As at 30 September 2010 USD* | *As at 30 September 2011 USD* |
|---|---|---|
| **Capital employed** (total equity) | 2,687,133 | 23,278 |

***Externally imposed capital requirement***

The Group is not subject to externally imposed capital requirements.

***Significant accounting policies***

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 2 to the financial statements. Further details on critical accounting judgments and estimation uncertainty are detailed in note 4.

***Categories of financial instruments***

The disclosures detailed below are as required by IFRS 7 Financial Instruments: Disclosures. The carrying amounts presented on the Consolidated Statement of Financial Position relate to the following categories of assets and liabilities:

| | *As at 30 September 2010 USD* | *As at 30 September 2011 USD* |
|---|---|---|
| **Financial assets** | | |
| Loans and receivables | – | – |
| Trade and other receivables | – | 1,419 |
| Cash and cash equivalents | 2,294,142 | 380,212 |
| Rent deposit and accrued income | 59,204 | 54,285 |
| **Financial liabilities at amortized cost** | | |
| Trade and other payables | 571,258 | 696,592 |
| Contingent liability | 252,944 | – |

***Financial risk management objectives***

The Group monitors and manages the risks relating to the financial instruments held. The principal risks include currency risk (on financial assets and trade payables), credit risk (on financial assets) and interest rate risk (on financial assets and borrowings). These risks are discussed in further detail below. By virtue of the nature of the Group's operations, it is generally not exposed to price risk. It is not Group policy to trade in financial instruments.

## 17. Financial Instruments (continued)

***Market risk***

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Group does not use forward foreign exchange contracts to hedge exchange rate risk.

***Foreign currency risk management***

The Group has undertaken certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. During the year ended 30 September 2011 the Group has not utilised forward exchange contracts to manage exchange rate exposures.

The carrying amounts of the Group's material currency denominated monetary assets and monetary liabilities at the reporting date are in following currencies:

| *Liabilities* | *30 September 2010 USD* | *30 September 2011 USD* |
|---|---|---|
| USD denominated liabilities | 31,478 | 164,598 |
| GBP denominated liabilities | 774,565 | 531,991 |

| *Assets* | *30 September 2010 USD* | *30 September 2011 USD* |
|---|---|---|
| USD denominated assets | 2,103,201 | 302,046 |
| GBP denominated assets | 250,145 | 133,131 |
| EURO denominated assets | – | 778 |

***Foreign currency sensitivity analysis***

The following table details the Group's sensitivity to a 10 per cent. increase and decrease in Sterling against the USD. The sensitivity analysis includes only outstanding USD denominated monetary items and adjusts their translation at the period end for a 10 per cent. change in the USD/Sterling rate. A positive number below indicates an increase in profit and other equity where Sterling strengthens 10 per cent. against the relevant currency. For a 10 per cent. weakening of Sterling against the relevant currency, there would be an equal and opposite impact on the profit and other equity, and the balances below would be negative. The sensitivities below are based on the exchange rates at the balance sheet used to convert the asset or liability to sterling.

| | *Profit and Loss Impact* | |
|---|---|---|
| | *9 month ended 30 September 2010* | *9 month ended 30 September 2011* |
| USD | 207,172 | 13,745 |

As at 30 September 2009 the profit loss impact of sensitivity to a 10 per cent. change in Sterling against USD was immaterial.

***Interest rate risk management***

At 30 September 2011 exposure to interest rate risk was limited as the Group did not have any loans or borrowings.

***Credit risk management***

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group faces exposure to credit risk on its trade receivables and cash equivalents.

## 17. Financial Instruments (continued)

The risk of financial loss arising from defaults on trade receivables is mitigated by the Group using a credit approval process to assess the potential customers' credit quality and also establishes credit limits by customer. The limits and credit scores attributed to customers is reviewed bi-annually however, the sales ledger is reviewed at least monthly to ensure all receivables are recoverable.

Please refer to note 14 for further details on trade receivables, including analyses of bad debts, ageing and profile by currency. The Group believes the credit risk on liquid funds, being cash and cash equivalents, to be limited because the counterparties are banks with high-credit ratings assigned by international credit-rating agencies. However, the concentration of credit risk by counterparty does exceed 10 per cent. of the overall cash and cash equivalents balance.

### *Liquidity risk management*

Liquidity risk arises from the Group's management of working capital. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due.

The Group manages liquidity risk by maintaining adequate reserves and banking facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. As part of this monitoring the Group ensures that the financial liabilities due to be paid can be met by existing cash and cash equivalents, forecasted receipts from customers and borrowing facilities.

## 18. Share capital

A breakdown of the authorised and issued share capital in place as at 30 September 2011 is as follows:

| | *30 September 2010* | | *30 September 2011* | |
|---|---|---|---|---|
| | *Number* | *USD* | *Number* | *USD* |
| **Authorised** | | | | |
| Ordinary shares of $0.001 (2010:$ 0.001) each | 200,000,000 | 200,000 | 200,000,000 | 200,000 |
| Preferred shares of $0.001 (2010: $0.001) each | 50,000,000 | 50,000 | 50,000,000 | 50,000 |
| **Issued** | | | | |
| Ordinary shares of $0.001 ) each | – | – | – | – |
| At beginning of the period | 7,480,000 | 7,480 | 13,755,500 | 13,756 |
| Issued during the period | 5,775,500 | 5,776 | 1,622,550 | 1,622 |
| At end of the period | 13,255,500 | 13,256 | 15,377,550 | 15,378 |
| Preferred shares of $0.001 (2010: $0.001) each | – | – | – | – |

The ordinary shares have voting rights and there are no dividend restrictions attached to the shares.

## 19. Reserves

### *Share premium*

The amount subscribed for share capital in excess of nominal value.

### *Foreign currency translation reserve*

This reserve relates to exchange differences arising on the translation of the balance sheet of the Group at the closing rate and the translation of the income statement of the Group at the average rate.

### *Accumulated deficit*

Cumulative net gains and losses recognised in the consolidated statement of comprehensive income.

## 20. Notes supporting cash flow statement

Cash and cash equivalents comprise:

| | *As at 30 September 2010 USD* | *As at 30 September 2011 USD* |
|---|---|---|
| Cash and cash equivalents | 2,294,142 | 380,212 |
| Overdrafts | – | – |
| Net cash increase/(decrease) in cash and cash equivalents | 2,067,406 | (458,584) |
| Cash and cash equivalents at the beginning of the year | 226,736 | 838,796 |
| **Cash and cash equivalents at the end of the year** | 2,294,142 | 380,212 |

There were no significant non-cash transactions in the year.

***Cash and cash equivalents***

Cash and cash equivalents are held in the following currencies:

| | *As at 30 September 2010 USD* | *As at 30 September 2011 USD* |
|---|---|---|
| Pound sterling | 2,103,201 | 78,666 |
| US Dollars | 190,941 | 301,546 |
| **Total** | 2,294,142 | 380,212 |

Cash and cash equivalents comprise cash held by the Group and short–term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximates their fair value.

## 21. Related parties

At 30 September 2011 contingent consideration of $nil (31 September 2010: $252,944) was provided for, arising from the acquisition of the assets of Gimme5games referred in note 16 above. This amount is payable to three individuals who are shareholders of the Group. This balance is shown separately as contingent consideration on the face of the consolidated balance sheet.

At 30 September 2011 $nil, (30 September 2010: nil) was due to directors in respect of their salaries. On 30 September 2011, the directors have signed an agreement to forgo their deferred salaries. Accordingly accrued salary of $471,651 owed to directors by the Group was released. This is presented separately on the face of consolidated statement of income as of 30 September 2011.

## 22. Events after the balance sheet date

On 22 November 2011, Zattikka Holdings Limited, a wholly owned subsidiary of Expedite 5, Inc. was liquidated.

On 30 November 2011, Expedite 5, Inc. issued 265,716 Ordinary Shares at a price of $1.02 per share which were treated as fully paid.

Conditional upon an intended admission to trading on AIM of Zattikka plc, and the completion of the acquisition of Hattrick Holdings Limited by Zattikka plc, all of the shareholders of Expedite 5, Inc. will exchange their shares in Expedite 5, Inc. for shares in Zattikka plc.

## 23. First time adoption of International Financial Reporting Standards

As part of the work performed for the transition to adopt IFRS, the Group carried out an assessment of differences between US Generally Accepted Accounting Principles ("US GAAP") and IFRS. The results of the assessment showed that the results of the operations, cash flows, changes in shareholders equity and net assets as previously reported under US GAAP were not affected.

# PART 9

# UNAUDITED PRO FORMA STATEMENT OF NET ASSETS OF THE ENLARGED GROUP

The unaudited pro forma statement of net assets set out in this Part 9 has been prepared in a manner consistent with the accounting policies to be adopted by the Company as set out in section B of Part 3, for illustrative purposes only to show the effect of the Company being established as the holding company of the E5 Group and the acquisition of Hattrick, Concept Art House and Sneaky Games (together, the "Enlarged Group") and the proposed Placing, on the net assets of the Company as if they had occurred on 16 November 2011. Because of its nature, the unaudited pro forma statement of net assets addresses a hypothetical situation and does not, therefore, represent the Enlarged Group's actual financial position.

## Unaudited pro forma statement of net assets of the Enlarged Group as at 16 November 2011

| | | | | | | *Adjustments* | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | *The Company as at 16 November 2011 (note 1) US$000* | *E5 as at 30 September 2011 (note 2) US$000* | *Hattrick as at 30 September 2011 (note 3) US$000* | *Concept Art House as at 30 September 2011 (note 4) US$000* | *Sneaky Games as at 30 September 2011 (note 5) US$000* | *Hattrick acquisition (note 6) US$000* | *Concept Art House acquisition (note 6) US$000* | *Sneaky Games acquisition (note 6) US$000* | *Net placing proceeds (note 7) US$000* | *Pro forma net assets of the Enlarged Group US$000* |
| **ASSETS** | | | | | | | | | | |
| **Non-current assets** | | | | | | | | | | |
| Property, plant and equipment | – | 17 | 71 | 181 | 14 | – | – | – | – | 283 |
| Other intangible assets | – | 220 | 407 | 24 | – | 24,143 | 11,829 | 6,470 | – | 43,093 |
| **Total non-current assets** | – | 237 | 478 | 205 | 14 | 24,143 | 11,829 | 6,470 | – | 43,376 |
| **Current assets** | | | | | | | | | | |
| Inventories | – | – | 122 | – | – | – | – | – | – | 122 |
| Trade and other receivables | – | 103 | 536 | 648 | 70 | – | – | – | – | 1,357 |
| Cash and cash equivalents | – | 380 | 3,044 | 830 | 214 | (8,778) | (3,600) | (1,710) | 15,066 | 5,446 |
| Deferred tax – current portion | – | – | – | – | 204 | – | – | – | – | 204 |
| **Total current assets** | – | 483 | 3,702 | 1,478 | 488 | (8,778) | (3,600) | (1,710) | 15,066 | 7,129 |
| **TOTAL ASSETS** | – | 720 | 4,180 | 1,683 | 502 | 15,365 | 8,229 | 4,760 | 15,066 | 50,505 |
| **LIABILITIES** | | | | | | | | | | |
| **Non-current liabilities** | | | | | | | | | | |
| Contingent consideration | – | – | – | – | – | (5,400) | – | – | – | (5,400) |
| Deferred tax | – | – | – | – | (6) | – | – | – | – | (6) |
| | – | – | – | – | (6) | (5,400) | – | – | – | (5,406) |
| **Current liabilities** | | | | | | | | | | |
| Trade and other payables | – | (697) | (2,973) | (212) | (298) | – | – | – | – | (4,180) |
| Corporation tax payable | – | – | – | (300) | – | – | – | – | | (300) |
| Vendor Loan Notes | – | – | – | – | – | (8,512) | (2,400) | (1,140) | – | (12,052) |
| Loans and borrowings | – | – | – | – | (893) | – | – | – | | (893) |
| **Total current liabilities** | – | (697) | (2,973) | (512) | (1,191) | (8,512) | (2,400) | (1,140) | – | (17,425) |
| **TOTAL LIABILITIES** | – | (697) | (2,973) | (512) | (1,197) | (13,912) | (2,400) | (1,140) | – | (22,831) |
| **NET ASSETS/(LIABILITIES)** | – | 23 | 1,207 | 1,171 | (695) | 1,453 | 5,829 | 3,620 | 15,066 | 27,674 |

Notes:

The pro forma statement of net assets has been prepared on the following basis:

1. The net assets of the Company at 16 November 2011, as set out in Section B of Part 3 were £0.01. The acquisition of E5 will constitute a reverse acquisition and consequently no goodwill or intangible assets will be recognised.
2. The net assets of E5 at 30 September 2011 have been extracted without material adjustment from the unaudited financial information on E5 for the nine month period ended 30 September 2011 as set out in Section B of Part 8 of this document.
3. The net assets of Hattrick at 30 September 2011 have been extracted without material adjustment from the financial information on Hattrick for the nine month period ended 30 September 2011 as set out in Section B of Part 5 of this document.
4. The net assets of Concept Art House at 30 September 2011 have been extracted without material adjustment from the financial information on Concept Art House for the nine month period ended 30 September 2011 as set out in Section B of Part 6 of this document.
5. The net assets of Sneaky Games at 30 September 2011 have been extracted without material adjustment from the financial information on Sneaky Games for the nine month period ended 30 September 2011 as set out in Section B of Part 7 of this document.

Adjustments:

6. An adjustment has been made to reflect the estimated goodwill arising on the acquisitions of the Hattrick Group, the Concept Art House Group and Sneaky Games (the "Targets") which will be effected on completion of the Placing. For the purposes of this unaudited pro forma statement of net assets, no adjustment has been made to the separate assets and liabilities of the Targets to reflect their fair value. The gross difference between the net assets of the individual Targets as stated at their respective book values at 30 September 2011 and the aggregate of the estimated consideration has therefore been presented as a single value in "intangible assets". The net assets of the individual Targets will be subject to a fair value restatement as at the effective date of the Transaction. Also, in accordance with IAS 36 – "Impairment of Assets", the Company will assess the need for an impairment of goodwill at the next reporting date, unless there is an indication of the need for an impairment at an earlier point. Actual goodwill included in the Enlarged Group's first set of published financial statements reflecting completion of the Acquisitions may therefore be materially different from that included in the pro forma statement of net assets.

   The terms of the acquisitions of the Targets are as follows and the estimated goodwill arising on the acquisitions is calculated in the table below:

   - The acquisition of 100 per cent, of the issued share capital in Hattrick will be effected on completion of the Placing. Initial consideration of US$19.95 million (€14.8 million) will be paid on completion, satisfied by the combination of US$8.78 million (€6.6 million) in cash, $2.66 million (€2.0 million) in nominal ordinary share capital in the Company and US$8.51 million (€6.4 million) in nominal amount of loan notes in the Company ("Vendor Loan Notes"). In addition, there is an aggregate amount of deferred cash consideration payable, subject to certain performance conditions of up to

US$10.05 million (€7.5 million). When calculating the impact of the acquisition, the Directors' have estimated the level of deferred consideration which may fall due for payment.

- The acquisition of 100 per cent, of the issued share capital in Concept Art House will be effected on the completion of the Placing. Consideration of US$13 million will be paid on completion, satisfied by the combination of US$3.6 million in cash, US$7 million in nominal ordinary share capital in the Company and US$2.4 million in Vendor Loan Notes. There is no deferred consideration payable.
- The acquisition of 100 per cent, of the issued share capital in Sneaky Games will be effected on the completion of the Placing. Initial consideration of US$5.775 million will be paid on completion, satisfied by the combination of US$1.710 million in cash, US$2.925 million in nominal ordinary share capital in the Company and US$1.140 million in Vendor Loan Notes. In addition, there is an aggregate amount of deferred consideration payable, subject to certain performance conditions of up to US$0.325 million. When calculating the impact of the acquisition, the Directors' have estimated the level of deferred consideration which may fall due for payment.

| | *Impact on the net assets of the Enlarged Group* | | | |
|---|---|---|---|---|
| | *Hattrick US$000* | *Concept Art House US$000* | *Sneaky Games US$000* | *Total US$000* |
| Consideration payable in cash | 8,778 | 3,600 | 1,710 | 14,088 |
| Consideration payable in ordinary share capital | 2,660 | 7,000 | 2,925 | 12,585 |
| Consideration payable in Vendor Loan Notes | 8,512 | 2,400 | 1,140 | 12,052 |
| Initial consideration | 19,950 | 13,000 | 5,775 | 38,725 |
| Fair value of contingent consideration | 5,400 | – | – | 5,400 |
| Estimated consideration | 25,350 | 13,000 | 5,775 | 44,125 |
| Book value of the Target's net (assets)/liabilities at 30 September 2011 | (1,207) | (1,171) | 695 | (1,683) |
| | 24,143 | 11,829 | 6,470 | 42,442 |

7. The Placing is estimated to raise net proceeds of US$15.1 million (US$20.0 million gross proceeds (£12.6 million) less estimated expenses of US$5.0 million (£3.1 million)). The exchange rate used to convert the pounds sterling Placing proceeds is US$1.5853 to £1, the rate ruling at 10 April 2012.

| | *US$000* |
|---|---|
| Gross proceeds | 20,034 |
| Estimated expenses | 4,968 |
| Net proceeds | 15,066 |

8. For the purposes of the pro forma the adjusted cash balance has been calculated as follows:

| | *Cash and cash equivalents US$000* |
|---|---|
| Net cash in the Company at 16 November 2011 | – |
| E5 net cash | 380 |
| Hattrick net cash | 3,044 |
| Concept Art House net cash | 830 |
| Sneaky Games net cash | 214 |
| | 4,468 |
| Cash consideration payable on the acquisition of Hattrick | (8,778) |
| Cash consideration payable on the acquisition of Concept Art House | (3,600) |
| Cash consideration payable on the acquisition of Sneaky Games | (1,710) |
| | (14,088) |
| Net placing proceeds | 15,066 |
| Estimated adjusted net cash balance | 5,446 |

9. The exchange rate used to convert the Euro denominated consideration to acquire Hattrick is US$1.34 to €1, the rate ruling at 16 November 2011.

10. No account has been taken of the financial or trading performance of the Company, nor of E5, Hattrick, Concept Art House or Sneaky Games since 30 September 2011, nor of any other event save as disclosed above.

# PART 10

# ADDITIONAL INFORMATION

**1. Responsibility**

The Directors whose names are set out on page 10 of this document, and the Company, accept responsibility both individually and collectively 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 its import.

**2. The Company**

2.1 The Company was incorporated and registered as a public limited company in England and Wales under the Act on 16 November 2011 with the name Zattikka No.1 plc and with registered number 07850423. On 2 December 2011, the Company changed its name to Zattikka plc. A certificate to commence trading was issued by the Registrar of Companies in England and Wales on 29 March 2012.

2.2 The Company is a public limited company and, accordingly, the liability of its members is limited. The Company and its activities and operations are principally regulated by the Act and the regulations made thereunder.

2.3 The head office of the Company is 21 Arlington Street, London SW1A 1RN and will remain so on Admission. The telephone number of the Company is + 44 20 7491 6413 and will remain so on Admission. The registered office of the Company is c/o Harbottle & Lewis LLP, 14 Hanover Square, London W1S 1HP and will remain so on Admission.

2.4 The accounting reference date of the Company is 31 December.

**3. Share capital and loan capital**

3.1 As of 16 November 2011, the date of incorporation of the Company, the issued share capital of the Company, all of which was fully paid up, was as follows:

| | *Issued* | |
|---|---|---|
| *Class and denomination of share* | *Number* | *Amount* |
| Ordinary shares of £0.01 each | 1 | £0.01 |

3.2 There have been the following changes in the issued share capital of the Company since incorporation:

| *Date of issue* | *Number of Ordinary Shares issued* | *Par Value (£)* | *Cumulative total (Number)* |
|---|---|---|---|
| 16 November 2011 (Incorporation) | 1 | 0.01 | 1 |
| 29 March 2012 (Subscribed for at £0.01 per share) | 4,999,999[1] | 0.01 | 5,000,000 |
| 11 April 2012 (Consolidation) | – | 0.10 | 500,000[2] |

1 The Directors were granted authority to allot 4,999,999 ordinary shares of 1 pence each on 29 March 2012.

2 On 11 April 2012, the 5,000,000 ordinary shares of 1 pence each were consolidated into Ordinary Shares on the basis of 10 ordinary shares of 1 pence each being consolidated into 1 Ordinary Share; and 450,000 of these Ordinary Shares were redesignated as Deferred Shares, with the rights set out in paragraph 3.6 of this Part 10.

3.3 The issued share capital of the Company, all of which is fully paid up, as at the date of this document is as follows:

| | *Issued* | |
|---|---|---|
| *Class and denomination of share* | *Number* | *Amount* |
| Ordinary Shares of £0.10 each | 50,000 | £5,000 |
| Deferred Shares of £0.10 each | 450,000 | £45,000 |

3.4 The Company has agreed to issue 15,797 Ordinary Shares (representing $25,000 in value calculated by reference to the Placing Price) to each of Anil Hansjee, Richard Adam, Andrew Kanter, Gregory Bestick and Matthew Le Merle at nominal value, conditional on Admission, pursuant to their letters of appointment, as referred to at paragraph 8 of this Part 10.

3.5 The issued share capital of the Company, all of which will be fully paid up on or before Admission, as it is expected to be immediately following Admission is as follows (assuming the Placing is fully subscribed and the issue of the Acquisition Shares and the Offer Shares):

| | *Issued* | |
|---|---|---|
| *Class and denomination of share* | *Number* | *Amount* |
| Ordinary Shares of £0.10 each | 21,968,710 | £2,196,871 |
| Deferred Shares of £0.10 each | 450,000 | £45,000 |

3.6 As part of a reorganisation of the share capital of the Company, pursuant to a special resolution dated 11 April 2012, 450,000 Ordinary Shares were redesignated as Deferred Shares, having the following rights and restrictions:

(a) as regards income, the Deferred Shares shall not entitle the holders thereof to receive any dividend or other distribution;

(b) as regards voting, the Deferred Shares shall not entitle the holders thereof to receive notice of or to attend, speak and/or vote at any general meeting of the Company;

(c) as regards capital, on a return of capital on a winding up, the holder(s) of Deferred Shares shall only be entitled to receive the amount paid up on such Deferred Shares after the holders of Ordinary Shares have received the sum of £100,000 for each Ordinary Share held by them and shall have no other right to participate in the assets of the Company;

(d) the Deferred Shares may be cancelled by the Company in accordance with the Act without payment of any consideration to the holder(s) thereof;

(e) as regards transfers, the Deferred Shares shall not be transferable without the consent of the Board;

(f) the Company shall have an irrevocable authority at any time to do any of the following without obtaining the sanction of the holder (s) of Deferred Shares:

(i) appoint any Director to execute on behalf of the holder(s) of the Deferred Shares a transfer thereof and/or an agreement to transfer the same (without making any payment to the holder(s) thereof) to such persons as the Company may determine; and/or

(ii) purchase all or any of the Deferred Shares in accordance with the Act without obtaining the consent of the holder(s) of Deferred Shares and on payment to such holders of one penny in aggregate;

(g) the Company shall, notwithstanding any provision to the contrary in the Articles, have no obligation to issue share certificates to the holder(s) of Deferred Shares, including pending any such transfer or cancellation referred to above;

(h) as regards variation of rights, neither:

(i) the passing by the Company of any resolution for a reduction of capital involving the cancellation of the Deferred Shares without any repayment of capital in respect thereof, or a reduction of the share premium account, or the obtaining by the Company or the making by the Court of an order confirming any such reduction of capital or share premium account or the making effective of such order; nor

(ii) the purchase by the Company in accordance with the Act of any of its own shares or other securities or the passing of any resolution to permit such purchase, shall constitute a variation, modification or abrogation of rights attaching to the Deferred Shares and no sanction on the part of the holders of the Deferred Shares shall be required for any such acts; and

(i) as regards any future issues and allotments of shares in the capital of the Company, the rights conferred by the Deferred Shares shall not be varied or abrogated by the creation or issue of further shares ranking *pari passu* or raking in priority to the Deferred Shares.

3.7 Pursuant to the Act, with effect from 1 October 2009, the concept of authorised share capital was abolished and, accordingly, there is, subject to the Company's articles and any resolutions passed by the Company's members (including as set out in this paragraph 3), no limit on the maximum amount of shares that may be allotted by the Company.

3.8 Pursuant to a special resolution of the Company dated 11 April 2012, the Directors are, conditional upon and effective immediately prior to Admission, generally and unconditionally authorised pursuant to section 551 of the Act to allot shares and grant rights to subscribe for or to convert any security into shares (such shares and rights to subscribe for or to convert any security into shares being "relevant securities") up to an aggregate nominal amount of £3,942,820.40, such authority to be limited to the allotment of:

(a) up to 12,637,433 new Ordinary Shares pursuant to the Placing;

(b) 23,874,915 Ordinary Shares in connection with:

(i) the Hattrick Acquisition Agreement and the Hattrick Loan Notes;

(ii) the Share Exchange Agreement;

(iii) the Concept Art House Acquisition Agreement and the Concept Art House Loan Notes;

(iv) the Sneaky Games Acquisition Agreement and the Sneaky Games Loan Notes;

(v) the Warrants;

(c) 78,985 new Ordinary Shares in connection with management incentives and 640,000 new Ordinary Shares in connection with the LTIP;

(d) relevant securities other than pursuant to sub-paragraphs (a), (b) and (c) above, having an aggregate nominal value equal to £219,687.10,

such authority to expire upon the earlier of the conclusion of the next Annual General Meeting of the Company and the date which is 18 months from the date of passing of the resolution, except that the Directors can during the period make offers or arrangements which could or might require the allotment of relevant securities after the expiry of such period.

3.9 Pursuant to a special resolution of the Company dated 11 April 2012, the Directors are empowered, conditional upon and effective immediately prior to Admission, pursuant to section 570(1) of the Act to allot equity securities (as defined in section 560(1) of the Act) of the Company wholly for cash pursuant to the authority of the Directors under section 551 of the Act conferred by paragraph 3.8 above as if the provisions of section 561 of the Act did not apply to such allotment, provided that this power is limited to:

(a) the allotment of up to 12,637,433 new Ordinary Shares pursuant to the Placing;

(b) 23,874,915 Ordinary Shares in connection with:

(i) the Hattrick Acquisition Agreement and the Hattrick Loan Notes;

(ii) the Share Exchange Agreement;

(iii) the Concept Art House Acquisition Agreement and the Concept Art House Loan Notes;

(iv) the Sneaky Games Acquisition Agreement and the Sneaky Games Loan Notes;

(v) the Warrants;

(c) the allotment of 78,985 new Ordinary Shares in connection with management incentives and 640,000 new Ordinary Shares in connection with the LTIP;

(d) the allotment of equity securities in connection with an offer of equity securities to the Shareholders (excluding any shares held by the Company as treasury shares (as defined in section 724(5) of the Act)) in proportion (as nearly as practicable) to their respective holdings of such shares or in accordance with the rights attached to such shares (but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or as a result of legal, regulatory or practical problems arising under the laws of or the requirements of any overseas territory or by virtue of shares being represented by depository receipts or the requirements of any regulatory body or stock exchange or any other matters whatsoever); and

(e) the allotment (other than pursuant to the power referred to in sub-paragraphs (a), (b), (c) and (d) above) of equity securities up to an aggregate nominal value equal to £219,687.10,

such authority to expire upon the earlier of the conclusion of the next Annual General Meeting of the Company and the date which is 18 months from the date of passing of the resolution, except that the Directors can during the period make offers or arrangements which could or might require the allotment of equity securities after the expiry of such period.

3.10 Pursuant to a special resolution of the Company dated 11 April 2012, the Directors are generally and unconditionally authorised to make market purchases (within the meaning of section 693(4) of the Act) of Ordinary Shares, provided that:

(a) the maximum aggregate number of Ordinary Shares that may be purchased is 1,098,436;

(b) the minimum price (excluding expenses) which may be paid for each Ordinary Share is £0.10;

(c) the maximum price (excluding expenses) which may be paid for each Ordinary Share is the higher of:

(i) 105 per cent. of the average market value of an Ordinary Share in the Company for the five business days prior to the day the purchase is made; and

(ii) the value of an Ordinary Share calculated on the basis of the higher of the price quoted for

1. the last independent trade of; and

2. the highest current independent bid for,

any number of the Company's Ordinary Shares on the trading venue where the purchase is carried out,

such authority to expire on the date which is 18 months from the date of passing of the resolution or, if earlier, at the conclusion of the Company's next annual general meeting save that the Company may, before the expiry of the authority granted by this resolution, enter into a contract to purchase Ordinary Shares which will or may be executed wholly or partly after the expiry of such authority.

3.11 Pursuant to a special resolution passed on 11 April 2012, the terms and conditions of the LTIP were approved, with such additional changes thereto as the remuneration committee of the Company may generally and unconditionally authorise and approve at any time.

3.12 The provisions of section 561 of the Act (to the extent not disapplied pursuant to section 570 of the Act) confer on the Shareholders certain rights of pre-emption in respect of the allotment of equity securities (as defined in section 560(1) of the Act) which are, or are to be, paid up in cash and apply to future issues of unissued equity share capital of the Company. These provisions have been disapplied to the extent referred to in paragraph 3.9 above.

3.13 Save as mentioned in this paragraph 3:

(a) no unissued share or loan capital of the Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(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) there are no outstanding convertible securities issued by the Company; and

(d) no share capital or loan capital of the Company or any of its subsidiaries (other than intra-group issues by wholly-owned subsidiaries) is in issue and no such issue is proposed.

3.14 All Ordinary Shares represent capital in the Company. No Ordinary Shares are held by or on behalf of the Company and none of the Company's subsidiaries holds any shares in the Company.

3.15 None of the Ordinary Shares has been sold or made available to the public in conjunction with the application for Admission.

3.16 Save as disclosed in this document, no commission, discounts, brokerages or other specific terms have been granted by the Company in connection with the issue or sale of any of its share or loan capital.

3.17 Pursuant to the terms of the Acquisition Agreements, the Company will, on completion of the Acquisition Agreements, issue the Hattrick Loan Notes, the Concept Art House Loan Notes and the Sneaky Games Loan Notes, which are convertible into Ordinary Shares, to the shareholders of each of Hattrick, Sneaky Games and Concept Art House. Further details of the Acquisition Agreements and convertible loan notes are as set out at paragraphs 11.1(d) to 11.1(g) of this Part 10.

3.18 Pursuant to the terms of the Share Exchange Agreement, the Company will initially issue and allot an aggregate of Ordinary Shares representing approximately 4.6 per cent. of the Enlarged Share Capital (excluding for these purposes any further Ordinary Shares to be issued under the Share Exchange Agreement) to the holders of shares in E5 on execution of that agreement. Further details in respect of additional deferred consideration to be paid to the holders of shares in E5 under the Share Exchange Agreement in the form of Ordinary Shares are set out in paragraph 11.1(c) of this Part 10.

3.19 The Company has adopted the LTIP. Further information in relation to the LTIP is set out in paragraph 12 of Part 1 and paragraph 9 of this Part 10.

3.20 The Ordinary Shares are in registered form and capable of being held in uncertificated form. Application has been made to Euroclear for the Ordinary Shares to be enabled for dealings through CREST as a participating security. No temporary documents of title will be issued. It is expected that definitive share certificates will be posted to those Shareholders who have requested the issue of Ordinary Shares in certificated form by 30 April 2012. The International Securities Identification Number (ISIN) for the Ordinary Shares is GB00B7YH9F32.

3.21 The Placing Price of 100 pence per Ordinary Share represents a premium of 90 pence over the nominal value of 10 pence per Ordinary Share and is payable in full on Admission under the terms of the Placing.

3.22 Prior to Admission, the Company has granted awards over 640,000 Ordinary Shares to certain Directors under the LTIP details of which are set out in paragraph 12 of Part 1 and paragraph 7.1 of this Part 10.

3.23 The Company has granted warrants over 219,687 Ordinary Shares to Canaccord Genuity Limited (representing 1 per cent. of the Enlarged Share Capital) subject to and conditional upon Admission. Further details of these warrants are set out in paragraph 11.1(l) of this Part 10.

3.24 The Company has granted warrants over 109,844 Ordinary Shares to (representing one half per cent. of the Enlarged Share Capital) Bond Capital subject to and conditional upon Admission. Further details of these warrants are set out in paragraph 11.1(m) of this Part 10.

## 4. Subsidiary undertakings

4.1 The Company has no subsidiaries at the date of this document other than Zattikka Merger Subsidiary I and Zattikka Merger Subsidiary II which will cease to exist following completion of the Concept Art House Acquisition and the Sneaky Games Acquisition respectively.

4.2 Following the Hattrick Acquisition, the Company will have the following subsidiaries:

| *Name* | *Registration number* | *Status* | *Place of incorporation* | *Percentage of voting share capital held (directly or indirectly)* |
|---|---|---|---|---|
| Hattrick Holdings Limited | 105154 | Active | Gibraltar | 100% |
| Spelkultur i Malmö AB | 556770-0009 | Active | Sweden | 100% |
| Spelkultur i Sverige AB | 556796-5610 | Active | Sweden | 100% |

4.3 Following the E5 Acquisition, the Company will have the following subsidiaries in addition to those set out in paragraph 4.2 above:

| *Name* | *Registration number* | *Status* | *Place of incorporation* | *Percentage of voting share capital held (directly or indirectly)* |
|---|---|---|---|---|
| Expedite 5, Inc. | 4430621 | Active | Delaware, USA | 100% |
| Zattikka UK Limited | 06382344 | Active | England and Wales | 100% |

4.4 Following the Concept Art House Acquisition, the Company will have the following subsidiaries in addition to those set out in paragraphs 4.2 and 4.3 above.

| *Name* | *Registration number* | *Status* | *Place of incorporation* | *Percentage of voting share capital held (directly or indirectly)* |
|---|---|---|---|---|
| Concept Art House, Inc. | 4765860 | Active | Delaware, USA | 100% |
| Yi Yi Ju (Shanghai) Software Technology Co., Ltd | 310000400657171 | Active | Shanghai, China | 100% |

4.5 Following the Sneaky Games Acquisition, the Company will have the following subsidiaries in addition to those set out in paragraphs 4.2, 4.3 and 4.4 above.

| *Name* | *Registration number* | *Status* | *Place of incorporation* | *Percentage of voting share capital held (directly or indirectly)* |
|---|---|---|---|---|
| Sneaky Games, Inc. | 801201960 | Active | Texas, USA | 100% |

## 5. Summary of the Articles of Association

The Articles of Association, which were adopted on incorporation contain, amongst other things (and subject to relevant provisions of general English law and of the AIM Rules for Companies):

(a) *Allotment of share capital*

Subject to the provisions of the Act and the Articles, and to any direction given by the Company in general meeting, the Board may allot, grant rights over, offer or otherwise deal with or dispose of any new shares of the Company or rights to subscribe for or convert any security into shares of the Company to such persons and such times as the Board may decide.

(b) *Power to attach rights*

Any new shares in the capital of the Company may be issued with or have attached to them such rights or restrictions as the Company may by ordinary resolution determine, or if no determination is made, as the Board shall determine.

(c) *Meetings of shareholders*

The Articles require that an annual general meeting be held in each period of 6 months beginning with the day following its accounting reference date, at a time and place determined by the Board. All other meetings are deemed general meetings. General meetings are held at the request of the Board or Shareholders representing at least 5 per cent. of the Company's paid-up share capital entitled to vote at general meetings.

(d) *Voting rights*

Voting at any general meeting of Shareholders is by a show of hands unless a poll, which is a written vote, is duly demanded. On a show of hands, every Shareholder who is present in person at a general meeting has one vote regardless of the number of shares held. On a poll, every Shareholder who is present in person or by proxy has one vote per share held by that Shareholder. A poll may be demanded by any of the following:

- the chairman of the meeting;
- at least five Shareholders who are present in person or by proxy and entitled to vote at the meeting;
- any Shareholder or Shareholders present in person or by proxy, representing in the aggregate not less than one-tenth of the total voting rights of all Shareholders entitled to vote at the meeting; or
- any Shareholder or Shareholders present in person or by proxy, holding shares conferring a right to vote at the meeting on which there have been paid-up sums in the aggregate equal to not less than one-tenth of the total sum paid on all the shares conferring that right.

A proxy form will be treated as giving the proxy the authority to demand a poll, or to join others in demanding one.

The necessary quorum for the Company's general meetings is two persons holding or representing by proxy issued shares carrying a right to vote.

(e) *Board action and powers*

Under the Articles, the Board must comprise at least two Directors but shall not be subject to any maximum. Vacancies on the Board and newly created directorships may be filled either by the Shareholders by ordinary resolution or by the Board. Each Director chosen by the Board shall hold office for a term expiring on the dissolution of the next following annual general meeting of Shareholders. Unless the Directors decide otherwise, two Directors are required for a quorum. Any resolution required or permitted to be taken by the Board or any committee thereof, may be taken without a meeting if all members of the Board or the relevant committee, as the case may be, entitled to receive notice of a Board meeting (or committee, as the case may be) sign a written resolution.

Except as otherwise required by applicable law, Shareholders may by ordinary resolution remove any director.

Subject to applicable law, the memorandum of association and the Articles, the Directors shall manage the Company's business and exercise all of the powers of the Company.

A Director cannot vote on any contract, any arrangement or any other kind of proposal in which he or a person connected with him has a material interest. This restriction does not apply to a Director in respect of a resolution:

- where the Company or any of its subsidiary undertakings is offering securities in which the Director is or may be entitled to participate as a holder of securities or in the underwriting or sub-writing of which the Director is to participate;

- relating to the giving of any security, guarantee or indemnity in respect of any money which the Director or that other person has lent or for any liability which he or that other person has incurred at the request, or for the benefit, of the Company or any of its subsidiaries;
- relating to the giving of any security, guarantee or indemnity to any other person for a debt or obligation owed by the Company, or any of its subsidiaries, to that person, if the Director has taken responsibility, either alone or jointly, for some or all of that debt or those obligations;
- relating to another company in which the Director and persons connected with him have a direct or indirect interest of any kind (including holding any position in that company or being a shareholder of that company) unless the Director and persons connected with him hold an interest in shares representing 1 per cent. or more of the equity share capital or voting rights in that company;
- relating to any arrangement for the benefit of the employees of the Company or of any of its subsidiaries, which gives the Director only privileges or benefits which are also generally given to the employees to whom the arrangement relates; and
- relating to any proposal concerning insurance which the Company proposes to maintain or purchase for the benefit of the Directors or for the benefit of a group of people which includes the Directors.

The Board may delegate any of its powers, authorities and discretions to any Director holding executive office (including a managing director) or any committee consisting of one or more Directors and one or more persons, provided that a majority of the members of the Committee are Directors.

(f) *Retirement of Directors by rotation*

Any director who at an annual general meeting has been a director at each of the previous two Company annual general meetings or has held office with the Company, other than employment or executive office, for nine years or more shall be required to retire. The retiring director may be reappointed. If the Company does not fill the vacancy left by the retiring director, then he shall deemed to be reappointed, unless it is expressly resolved not to fill the vacancy.

(g) *Pre-emptive rights*

The Act confers upon shareholders, to the extent not disapplied, rights of pre-emption in respect of the allotment of equity securities (which term includes Ordinary Shares) that are or are to be paid up wholly in cash. These provisions may be disapplied by a special resolution of the Shareholders, either generally or specifically.

(h) *Dividends*

Subject to the provisions of the Act, the Company may by ordinary resolution declare dividends in accordance with the respective rights of the Shareholders, provided that no dividend shall exceed the amount recommended by the Board.

Subject to the Act, the Board may pay Shareholders such interim dividends as appear to them to be justified by the Company's financial position. If authorised by an ordinary resolution of the Shareholders, the Board may also offer Shareholders the right to elect to receive share dividends by way of scrip dividend instead of cash.

Any dividend unclaimed after 12 years from the date the dividend was declared, or became due for payment, will be forfeited and will revert to the Company.

(i) *Variation of rights*

If, at any time, the Company's share capital is divided into different classes of shares, the rights attached to any class may be varied, subject to the provisions of the Act, upon either the consent of at least three-fourths of the nominal amount of the issued shares of that class or upon the adoption of a special resolution passed at a separate meeting of such holders.

(j) *Directors' indemnification*

Each Director of the Company shall be indemnified out of the Company's assets against all costs, charges, losses, expenses and liabilities incurred by him as an officer in the actual or purported execution of his duties or in relation to them. The Company may provide any Director with funds to meet expenditure incurred or that will be incurred. The Directors may decide to purchase and maintain, at the Company's expense, insurance to cover any of the aforementioned costs, expenses or liabilities.

(k) *Borrowing powers*

The Directors may exercise all the powers of the Company to borrow money and accordingly may borrow or raise any sum or sums of money upon such terms as to interest or otherwise as they may deem fit and the Directors have wide powers to create security over the Company's assets to provide security for any such borrowing.

(l) *Surplus in liquidation*

In the event of a winding-up, the assets of the Company available for distribution among the members shall, subject to any provisions made under Section 247 of the Act and any special rights attached to another class of shares, be applied in repaying the holders of the ordinary shares the amounts paid up on such shares and subject to this provision shall be distributed among those holders rateably according to the number of shares held by them.

**6. Directors and employees**

6.1 The Directors and each of their respective functions are set out in paragraph 14 of Part 1 of this document.

6.2 The business address of the Directors is 21 Arlington Street, London SW1A 1RN.

6.3 Details of any directorship that is or was in the last five years held by each of the Directors, and any partnership of which each of the Directors is or was in the last five years a member in addition to their directorships of the Company and its subsidiary undertakings are set out below:

| *Name* | *Current directorships and partnerships* | *Previous directorships and partnerships* |
|---|---|---|
| Harald Ludwig | Lions Gate Entertainment Corp.<br>West Fraser Timber Co. Ltd<br>Canadian Overseas Petroleum Ltd<br>Prima Colombia Hardwood, Inc.<br>West African Iron Ore<br>Suntoy Enterprises, Inc.<br>Bond Capital Partners Ltd<br>Bond Capital Partners 1 Ltd<br>Bond Capital Partners Management Ltd<br>Balmoral Advisors Ltd<br>Macluan Capital Corp<br>Expedite 5, Inc. | – |
| Mark Opzoomer | Forward Internet Group Limited<br>Blinkx plc<br>Bond Capital Partners (UK) Ltd<br>Bond Capital Partners Limited<br>Entertainment One Limited | Newbay Software Limited<br>WRI Holdings Limited<br>Web Reservations International Limited<br>Entertainment One Limited |

| *Name* | *Current directorships and partnerships* | *Previous directorships and partnerships* |
|---|---|---|
| Mark Opzoomer *(continued)* | Expedite 5, Inc.<br>Hilvern Management Limited<br>Zattikka UK Limited | Rambler Media Limited<br>MIVA, Inc. |
| Rob Gorle | Expedite 5, Inc. | – |
| Tim Chaney | Red Halo Limited<br>Busyben Limited<br>28 Clarendon Gardens Limited<br>Zattikka UK Limited<br>Expedite 5, Inc. | PlayV Limited<br>Digital Arts Limited<br>V.2Play Limited |
| Andrew M Kanter | 2040523 Ontario, Inc.<br>3086025 Nova Scotia Co<br>Aurasma Ltd.<br>Autonomy Belgium BVBA<br>Autonomy Digital Assets LL<br>Autonomy France Sarl<br>Autonomy Germany GmBH<br>Autonomy Italy Srl<br>Autonomy Japan KK<br>Autonomy NA Holdings, Inc.<br>Autonomy Netherlands BV<br>Autonomy Nordic AS<br>Autonomy Services Gmbh<br>Autonomy Spain SL<br>Autonomy Sweden AB<br>Autonomy Systems (Beijing) Limited Company<br>Autonomy Systems Australia Pty Ltd.<br>Autonomy Systems Canada Ltd.<br>Autonomy Systems Limited<br>Autonomy Systems Singapore Pte Ltd<br>Autonomy Systems South Africa<br>Autonomy, Inc.<br>Blinkx, Inc.<br>Cambridge Neurodynamics Ltd<br>Cardiff, Inc.<br>Cardiff Software, Inc.<br>Discovery Mining, Inc.<br>Discovery Mining Ltd<br>Dremedia Ltd.<br>etalk Corporation<br>iManage, Inc.<br>IMIM India Pte<br>IM Digital Ltd.<br>Inktomi, Inc.<br>Interwoven AB<br>Interwoven AS<br>Interwoven Australia Pty Ltd<br>Interwoven BV<br>Interwoven Canada Ltd<br>Interwoven GmbH<br>Interwoven Hong Kong Ltd | – |

| *Name* | *Current directorships and partnerships* | *Previous directorships and partnerships* |
|---|---|---|
| Andrew M Kanter *(continued)* | Interwoven Korea, Inc. | |
| | Interwoven SAS | |
| | Interwoven Software Pte Ltd | |
| | Interwoven Software Services India Pvt Ltd | |
| | Interwoven Software SL | |
| | Interwoven Srl | |
| | Interwoven UK Ltd | |
| | Interwoven, Inc. | |
| | Longsand Ltd. | |
| | Mediabin, Inc. | |
| | Meridio Limited | |
| | Meridio, Inc. | |
| | Meridio Management Ltd. | |
| | Meridio Trustees Ltd. | |
| | MicroLink LLC | |
| | Mimosa, Inc. | |
| | Ncorp Ltd. | |
| | Neurodynamics Ltd | |
| | Nholdings Ltd. | |
| | Optimost Limited | |
| | Optimost LLC | |
| | Softsound Ltd. | |
| | Srittura, Inc. | |
| | Verity Benelux BV | |
| | Verity Deutschland GmbH | |
| | Verity France SARL | |
| | Verity Hong Kong Ltd. | |
| | Verity Italy Srl | |
| | Verity Mexico S. De R.L. De C.V. | |
| | Verity, Inc. | |
| | Virage Europe Ltd. | |
| | Virage GmbH | |
| | Virage, Inc. | |
| | Zantaz DS, Inc. | |
| | ZANTAZ Canada, Inc. | |
| | ZANTAZ, Inc. | |
| | ZANTAZ UK Ltd | |
| | ZANTAZ, Inc. | |
| | OpenV BV | |
| Gregory Bestick | ELanguage LLC | Westwood One |
| Anil Hansjee | Foundation Capital Limited | – |
| | RollUp Media Limited | |
| | The Hansjee Network Ltd | |
| | Sine Wave Entertainment Limited | |
| | Culture Label Ltd | |
| | Pioneer Labs Plc | |
| Richard Adam | 1st Insulation Partners Limited | SSL International plc |
| | A.F.R Limited | Shootersway Berkhamsted Management Limited |
| | AL Futtaim Carillion (LLC) | Carillion Richardson Thanet Limited |
| | Carillion (AM) Limited | CR Thanet General Partner Limited |
| | Carillion (AMBS) Limited | |

| *Name* | *Current directorships and partnerships* | *Previous directorships and partnerships* |
|---|---|---|
| Richard Adam *(continued)* | Carillion (Contracts) International Limited<br>Carillion (Singapore) Limited<br>Carillion AM Developments Limited<br>Carillion AM Government Limited<br>Carillion Asset Management<br>Carillion Capital Projects Limited<br>Carillion Construction Limited<br>Carillion Construction Overseas Limited<br>Carillion Contract Services East Limited<br>Carillion Contract Services Limited<br>Carillion CR Limited<br>Carillion Energy Services Limited<br>Carillion Energy Services Scotland Limited<br>Carillion Fleet Management Limited<br>Carillion GB Limited<br>Carillion Heating Services Limited<br>Carillion Holdings Limited<br>Carillion Home Services Limited<br>Carillion Insurance Advisers Limited<br>Carillion International (Construction Projects) Ltd<br>Carillion International Limited<br>Carillion Irishenco Limited<br>Carillion JM Limited<br>Carillion LGS Limited<br>Carillion Managed Services Limited<br>Carillion Management Limited<br>Carillion MENA Limited<br>Carillion Nominees Limited<br>Carillion Nuclear Services Limited<br>Carillion plc<br>Carillion Private Finance (Defence) Limited<br>Carillion Private Finance (Education) Limited<br>Carillion Private Finance (Health) Limited<br>Carillion Private Finance (Secure) Limited<br>Carillion Private Finance (Transport) Limited<br>Carillion Private Finance Limited<br>Carillion Project Investments Limited<br>Carillion Project Services Holdings Limited<br>Carillion Regeneration Limited<br>Carillion Richardson Anchorwood Limited | Friern Park Limited<br>Pall Mall Holdings Limited<br>Capita IT Services Limited<br>Lodge Park Limited<br>Enviros Consulting Limited<br>Enviros Group Limited<br>Enviros Limited<br>Enviros Management Services Limited<br>Carillion (Uganda) Limited<br>Carillion Developments 2006 Limited<br>Carillion Rail (2004) Limited<br>Energy Networks Limited<br>U.K. Fastrack Limited<br>Weaverbridge Limited<br>Carillion Consulting UK Limited |

| *Name* | *Current directorships and partnerships* | *Previous directorships and partnerships* |
|---|---|---|
| Richard Adam *(continued)* | Carillion Richardson Anchorwood Limited<br>Carillion Richardson Cwmbran Limited<br>Carillion Richardson Developments Limited<br>Carillion Richardson Thanet Phase 2 Limited<br>Carillion Richardson Worcester Limited<br>Carillion Secretariat Limited<br>Carillion Services 2006 Limited<br>Carillion Services Limited<br>Carillion Swindon Limited<br>Carillion Utility Services Limited<br>Carillion Utility Services S.E. Limited<br>Debind International (UK) Limited<br>Dudley Bower Group plc<br>Eaga Clean Energy Limited<br>Eaga Clean Energy Solutions Limited<br>Eaga Heating Limited<br>Eaga Renewables Limited<br>Everprime Limited<br>Formsole Limited<br>Friern Park Limited<br>Horrocks Group plc<br>Lawgra (No. 975) Limited<br>Maple Oak Limited<br>Nationbrook Limited<br>Permarock Products Limited<br>Planned Maintenance Engineering Limited<br>PME Partnerships Limited<br>Postworth Limited<br>Protocol Communications Management Limited<br>R T (Bridgend) Limited<br>R. G. Francis Limited<br>Sovereign Consultancy Services Limited<br>Sovereign Hospital Services Limited<br>The Carillion Construction Company (East Africa) Limited<br>TPS Consult Limited<br>W A Investments Limited<br>Warmsure Limited | |
| Matthew Le Merle | Concept Art House, Inc.<br>Qube Learning Ltd<br>Booz & Company UK Ltd | Telltale, Inc.<br>Le Merle Group |

6.4 Save as disclosed below, at the date of this document none of the Directors named in this document:

(a) has any unspent convictions in relation to indictable offences;

(b) has been declared bankrupt or has entered into an individual voluntary arrangement;

(c) was a director of any company at the time of or within the 12 months preceding any receivership, compulsory liquidation, creditors' voluntary liquidation, administration, company voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors with which such company was concerned;

(d) was a partner in a partnership at the time of or within the 12 months preceding a compulsory liquidation, administration or partnership voluntary arrangement of such partnership;

(e) has had his assets the subject of any receivership or was a partner in a partnership at the time of or within the 12 months preceding any assets thereof being the subject of a receivership; or

(f) has been the subject of any public criticisms by any statutory or regulatory authority (including any recognised professional body) nor has ever been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.

6.5 Tim Chaney is currently a director of Red Halo Limited, which is currently in liquidation.

6.6 The average number of the Company's employees (other than the Executive Directors) for the period covered by the financial information set out in Part 3 of this document is nil.

6.7 Following the E5 Acquisition, the Enlarged Group will have 10 employees, all of whom are based in the UK.

6.8 Following the Hattrick Acquisition, the Enlarged Group will have 23 employees in Sweden in addition to those set out at paragraph 6.7 of this Part 10.

6.9 Following the Concept Art House and Sneaky Games Acquisitions, the Enlarged Group will have 33 employees in the United States in addition to those set out at paragraph 6.7 of this Part 10.

6.10 Following the Concept Art House Acquisition, the Enlarged Group will have 116 employees in China in addition to those set out at paragraph 6.7 of this Part 10.

**7. Directors' and other interests**

7.1 The interests of each of the Directors in the share capital of the Company (all of which are beneficial unless otherwise stated) including the interests of any person connected with them (within the meaning of sections 252-254 of the Act) as at the date of this document and as they are expected to be prior to and immediately following Admission are/will be as follows:

*Ordinary Shares:*

| *Director* | *Number of Ordinary Shares (as at the date of this document)* | *Percentage of issued Ordinary Shares (as at the date of this document)* | *Number of Ordinary Shares (as at the date of Admission)* | *Percentage of issued Enlarged Share Capital (as at the date of Admission)* |
|---|---|---|---|---|
| Harald Ludwig | – | – | 461,794[2] | 2.1% |
| Mark Opzoomer | 50,000[1] | 100% | 433,485[3] | 2.0% |
| Tim Chaney | – | – | 230,732[4] | 1.1% |
| Rob Gorle | – | – | 70,600[5] | 0.3% |
| Anil Hansjee | – | – | 18,321[8] | 0.1% |
| Gregory Bestick | – | – | 110,578[7] | 0.5% |
| Andrew Kanter | – | – | 15,797[6] | 0.1% |
| Richard Adam | – | – | 15,797[6] | 0.1% |
| Matthew Le Merle | – | – | 829,648[9] | 3.8% |

1 These Ordinary Shares are held by TD Wealth Institutional (UK) Nominees Limited on behalf of a personal pension fund in which Mark Opzoomer is a beneficiary. In addition, TD Wealth Institutional (UK) Nominees Limited holds 450,000 Deferred Shares.

2 190,639 of these Ordinary Shares were acquired as Acquisition Shares in respect of the E5 Acquisition; 221,155 of these Ordinary Shares were acquired as part of the Placing; and 50,000 of these Ordinary Shares were acquired as a Pre-IPO Award.

3 137,330 of these Ordinary Shares were acquired as Acquisition Shares in respect of the E5 Acquisition; 171,155 of these Ordinary Shares were acquired as part of the Placing; 75,000 of these Ordinary Shares were acquired as a Pre-IPO Award, and the 50,000 Existing Ordinary Shares are (and were prior to Admission) held by TD Wealth Institutional (UK) Nominees Limited on behalf of a personal pension fund in which Mark Opzoomer is a beneficiary.

4 174,138 of these Ordinary Shares were acquired as Acquisition Shares in respect of the E5 Acquisition; 31,594 of these Ordinary Shares were acquired as part of the Placing; and 25,000 of these Ordinary Shares were acquired as a Pre-IPO Award.

5 20,600 of these Ordinary Shares were acquired as Acquisition Shares in respect of the E5 Acquisition; and 50,000 of these Ordinary Shares were acquired as a Pre-IPO Award.

6 These Ordinary Shares were acquired as an incentive award.

7. 15,797 of these Ordinary Shares were acquired as an incentive award; and 94,781 of these Ordinary Shares were acquired as part of the Placing.

8 2,524 of these Ordinary Shares were acquired as Acquisition Shares in respect of the E5 Acquisition; and 15,797 of these Ordinary Shares were acquired as an incentive award.

9 813,851 of these Ordinary Shares were acquired as Acquisition Shares in respect of the Concept Art House Acquisition; and 15,797 of these Ordinary Shares were acquired as an incentive award.

*LTIP awards:*

Prior to Admission, the Company granted the following awards under the LTIP to the following Directors:

| *Director* | *Ordinary Shares under award* | *Exercise price* | *Dates of vesting* |
|---|---|---|---|
| Harald Ludwig | 100,000 | Nil | 50 per cent. on date of grant; 25 per cent. on each of the first and second anniversary of Admission |
| Mark Opzoomer | 150,000 | Nil | 50 per cent. on date of grant; 25 per cent. on each of the first and second anniversary of Admission |
| Rob Gorle | 100,000 | Nil | 50 per cent. on date of grant; 25 per cent. on each of the first and second anniversary of Admission |
| Tim Chaney | 50,000 | Nil | 50 per cent. on date of grant; 25 per cent. on each of the first and second anniversary of Admission |

*Deferred Shares*

TD Wealth Institutional (UK) Nominees Limited, on behalf of a personal pension fund in which Mark Opzoomer is a beneficiary, holds 450,000 Deferred Shares.

*Bond Capital Warrants*

Mark Opzoomer is interested in 109,844 Ordinary Shares in respect of which the Bond Capital Warrants are granted due to his shareholding in Bond Capital.

7.2 Save as disclosed above, none of the Directors nor any member of his immediate family or any person connected with him (within the meaning of sections 252-254 of the Act) 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.

7.3 Other than the interests of the Directors set out in paragraphs 7.1 and 7.2 above, as at 10 April 2012 (being the latest practicable date prior to the date of this document), insofar as is known to the Company, the following persons were, or will at Admission be, holding voting rights (within the meaning of Rule 5 of the Disclosure and Transparency Rules) in three per cent. or more of the issued ordinary share capital of the Company:

| *Shareholder* | *Number of Ordinary Shares (as at the date of this document)* | *Percentage of Ordinary Shares (as at the date of this document) (%)* | *Number of Ordinary Shares (as at the date of Admission)* | *Percentage of issued Ordinary Shares (as at the date of Admission) (%)* |
|---|---|---|---|---|
| Legal & General Investment Management Ltd | 0 | 0 | 4,107,165 | 18.7 |
| Cazenove Capital Management Ltd | 0 | 0 | 2,527,486 | 11.5 |
| James Zhang | 0 | 0 | 2,513,206 | 11.4 |
| ISIS EP LLP | 0 | 0 | 1,579,679 | 7.2 |
| Matthew Le Merle | 0 | 0 | 829,648 | 3.8 |
| Schroder Investment Management Ltd | 0 | 0 | 789,840 | 3.6 |
| AXA Investment Managers UK Ltd | 0 | 0 | 695,059 | 3.2 |
| David Godwin | 0 | 0 | 676,450 | 3.1 |

7.4 Save as disclosed above, there are no persons, so far as the Company is aware, who are or will be immediately following Admission holding voting rights (within the meaning of Rule 5 of the Disclosure and Transparency Rules) in three per cent. or more of the Company's issued ordinary share capital, nor, so far as the Company is aware, are there any persons who at the date of this document or immediately following Admission, directly or indirectly, jointly or severally, exercise or could exercise control over the Company.

7.5 Save as disclosed in this document, there are no arrangements known to the Company, the operation of which may at a subsequent date result in a change in control of the Company.

7.6 The Company's share capital consists of Ordinary Shares with equal voting rights (subject to the Articles). No major Shareholder of the Company has any different voting rights from the other Shareholders.

7.7 Save as disclosed in this document, no Director is or has been interested in any transactions which are or were unusual in their nature or conditions or significant to the business of the Company during the current or immediately preceding financial year or which were effected during any earlier financial year and remain in any respect outstanding or unperformed.

7.8 There are no outstanding loans or guarantees provided by the Company or to or for the benefit of any of the Directors.

7.9 Save in respect of the Share Exchange Agreement, the Warrants granted to Bond Capital, the Bond Capital fee letter (more particularly described in paragraph 11.1(n) of this Part 10) and the agreement entered into by the Company with Bond Capital for the use of shared office space at 21 Arlington Street, London and as otherwise disclosed in this document, there have been no related party transactions of the kind set out in the Standards adopted according to the Regulation (EC) No 1606/2002 that the Company has entered into since 16 November 2011, being the date on which the Company was incorporated.

7.10 No Director nor any member of his immediate family nor any person connected with him (within the meaning of section 252 of the Act) has a Related Financial Product (as defined in the AIM Rules for Companies) referenced to Ordinary Shares.

**8. Directors' remuneration and service agreements**

8.1 ***Harald Ludwig***

On 11 April 2012 Harald Ludwig entered into a service agreement with the Company with respect to his appointment as Chairman of the Company. The service agreement, which is to take effect from Admission, is terminable on not less than 6 months' written notice given by either party to the other. The service agreement contains provisions for early termination, *inter alia*, in the event of a breach by the Director. The basic annual salary payable is £60,000 per annum. On termination the Company may in its discretion make a payment in lieu of notice.

8.2 ***Mark Opzoomer***

On 11 April 2012 Mark Opzoomer entered into a service agreement with the Company with respect to his appointment as Chief Executive Officer of the Company. The service agreement, which is to take effect from Admission is terminable on not less than 12 months' written notice given by either party. The service agreement contains provisions for early termination, *inter alia*, in the event of a breach by the Director. The basic annual salary payable is £250,000 per annum. The service agreement contains restrictive covenants for a period of 12 months following termination of his employment. If the Company terminates the agreement on notice and without cause the Company shall do so with immediate effect by making a payment in lieu of notice. Where Mark terminates the agreement, the Company may in its discretion make a payment in lieu of notice. The payment in lieu of notice shall comprise of Mark's salary at the rate payable when such notice is given by the Company, benefits, pension, holiday pay and any time apportioned bonus in respect of the period in which Mark was employed during the applicable financial year.

8.3 ***Rob Gorle***

On 11 April 2012 Rob Gorle entered into a service agreement with the Company with respect to his appointment as Chief Financial Officer of the Company. The service agreement, which is to take effect from Admission, is terminable on not less than 12 months' written notice given by either party. The service agreement contains provisions for early termination, *inter alia*, in the event of a breach by the Director. The basic annual salary payable is £150,000 per annum. The service agreement contains restrictive covenants for a period of 12 months following termination of his employment. If the Company terminates the agreement on notice and without cause the Company shall do so with immediate effect by making a payment in lieu of notice. Where Rob terminates the agreement, the Company may in its discretion make a payment in lieu of notice. The payment in lieu of notice shall comprise of Rob's salary at the rate payable when such notice is given by the Company, benefits, pension, holiday pay and any time apportioned bonus in respect of the period in which Rob was employed during the applicable financial year.

8.4 ***Tim Chaney***

On 11 April 2012 Tim Chaney entered into a service agreement with the Company with respect to his appointment as President of the Company. The service agreement, which is to take effect from Admission, is terminable on not less than 12 months' written notice given by either party. The service agreement contains provisions for early termination, *inter alia*, in the event of a breach by the Director. The basic annual salary payable is £200,000 per annum. The service agreement contains restrictive covenants for a period of 12 months following termination of his employment. If the Company terminates the agreement on notice and without cause the Company shall do so with immediate effect by making a payment in lieu of notice. Where Tim terminates the agreement, the Company may in its discretion make a payment in lieu of notice. The payment in lieu of notice shall comprise of Tim's salary at the rate payable when such notice is given by the Company, benefits, pension, holiday pay and any time apportioned bonus in respect of the period in which Tim was employed during the applicable financial year.

8.5 ***Gregory Bestick***

On 11 April 2012 Gregory Bestick entered into a letter of appointment with the Company with respect to his appointment as a non-executive director of the Company, for an initial term of one year subject to renewal at the Company's discretion, which is to take effect from Admission. The letter of appointment is subject to the Articles and contains provision for immediate termination, *inter alia*, in the event of a serious or repeated breach of the letter of appointment. The annual fee payable to Gregory Bestick is £36,000 and the letter of appointment provides that the Company may, at its discretion, issue and allot Ordinary Shares representing approximately $25,000 to Mr. Bestick on Admission and, as described elsewhere in this document, the Company intends to exercise its discretion to issue and allot these Ordinary Shares on Admission.

8.6 ***Andrew Kanter***

On 11 April 2012 Andrew Kanter entered into a letter of appointment with the Company with respect to his appointment as a non-executive director of the Company, for an initial term of one year subject to renewal at the Company's discretion, which is to take effect from Admission. The letter of appointment is subject to the Articles and contains provision for immediate termination, *inter alia*, in the event of a serious or repeated breach of the letter of appointment. The annual fee payable to Andrew Kanter is £36,000 and the letter of appointment provides that the Company may, at its discretion, issue and allot Ordinary Shares representing approximately $25,000 to Mr. Kanter on Admission and, as described elsewhere in this document, the Company intends to exercise its discretion to issue and allot these Ordinary Shares on Admission.

8.7 ***Richard Adam***

On 11 April 2012 Richard Adam entered into a letter of appointment with the Company with respect to his appointment as a non-executive director of the Company, for an initial term of one year subject to renewal at the Company's discretion, which is to take effect from Admission. The letter of appointment is subject to the Articles and contains provision for immediate termination, *inter alia*, in the event of a serious or repeated breach of the letter of appointment. The annual fee payable to Richard Adam is £36,000 and the letter of appointment provides that the Company may, at its discretion, issue and allot Ordinary Shares representing approximately $25,000 to Mr. Adam on Admission and, as described elsewhere in this document, the Company intends to exercise its discretion to issue and allot these Ordinary Shares on Admission.

8.8 ***Anil Hansjee***

On 11 April 2012 Anil Hansjee entered into a letter of appointment with the Company with respect to his appointment as a non-executive director of the Company, for an initial term of one year subject to renewal at the Company's discretion, which is to take effect from Admission. The letter of appointment is subject to the Articles and contains provision for immediate termination, *inter alia*, in the event of a serious or repeated breach of the letter of appointment. The annual fee payable to Anil Hansjee is £36,000 and the letter of appointment provides that the Company may, at its discretion, issue and allot Ordinary Shares representing approximately $25,000 to Mr. Hansjee on Admission and, as described elsewhere in this document, the Company intends to exercise its discretion to issue and allot these Ordinary Shares on Admission.

8.9 ***Matthew Le Merle***

On 11 April 2012 Matthew Le Merle entered into a letter of appointment with the Company with respect to his appointment as a non-executive director of the Company, for an initial term of one year subject to renewal at the Company's discretion, which is to take effect from Admission. The letter of appointment is subject to the Articles and contains provision for immediate termination, *inter alia*, in the event of a serious or repeated breach of the letter of appointment. The annual fee payable to

Matthew Le Merle is £36,000 and the letter of appointment provides that the Company may, at its discretion issue and allot Ordinary Shares representing approximately $25,000 to Mr. Le Merle on Admission and, as described elsewhere in this document, the Company intends to exercise its discretion to issue and allot these Ordinary Shares on Admission.

8.10 Save as disclosed in this document, there are no service agreements or agreements for the provision of services existing or proposed between the Directors and the Company, and no Director is entitled to receive any benefits upon termination of his service agreement or letter of appointment other than salary and benefits accrued on the date of such termination.

8.11 In respect of the period covered by the financial information set out in Part 3, no remuneration was paid to the Directors by the Company, including pension contributions and benefits in kind granted to the Directors.

8.12 On the basis of the arrangements in force at the date of this document it is estimated that the aggregate remuneration payable (including pension contributions and benefits in kind granted to the Directors) for the 13 months ending 31 December 2012 (being the current financial period of the Company) will be £765,000.

## 9. Long Term Incentive Plan

***Operation***

The remuneration committee of the Board (the "**Remuneration Committee**") will supervise the operation of the LTIP.

***Eligibility***

Any employee (including an executive director) of the Company and its subsidiaries will be eligible to participate in the LTIP at the discretion of the Remuneration Committee.

***Grant of awards***

The Remuneration Committee may grant awards to acquire Ordinary Shares on or within six weeks of Admission. Thereafter, awards may be granted within six weeks following the Company's announcement of its results for any period or at any other time when the Remuneration Committee considers there to be exceptional circumstances which justify the granting of awards.

The Remuneration Committee may grant awards as conditional awards, share options (including nil cost options, nominal cost options or market value share options) or as forfeitable share awards. The Remuneration Committee may also decide to grant cash-based awards of an equivalent value to share-based awards or to satisfy share-based awards in cash.

An award may not be granted more than 10 years after Admission.

No payment is required for the grant of an award. Awards are not transferable, except on death. Awards are not pensionable.

***Individual limit***

An employee may not receive awards in any financial year over Ordinary Shares having a market value in excess of 150 per cent. of his annual base salary. The Remuneration Committee may, however, grant awards in excess of this limit if it considers it appropriate to do so.

***Vesting of awards and performance conditions***

The terms on which awards will vest will depend upon when the relevant award is granted. Once they have vested, awards granted as options will then ordinarily be exercisable up until the tenth anniversary of grant.

*Pre-IPO Awards*

The Pre-IPO Awards will be granted on or shortly after Admission. 50 per cent. of each Pre-IPO Award will vest on grant and a further 25 per cent. of each Pre-IPO Award will ordinarily vest on each of the first and second anniversaries of Admission. The Pre-IPO Awards will not be subject to performance conditions. The Pre-IPO Awards will not have an exercise price (i.e. they will be granted as conditional awards or nil-cost options). Further details as to the rationale behind the proposed grant of the Pre-IPO Awards can be found in paragraph 12 of Part 1.

*IPO Awards*

Awards may, at the discretion of the Remuneration Committee, be granted on or shortly after Admission to certain employees of companies within the Enlarged Group (the "IPO Awards"). The IPO Awards will ordinarily vest in equal proportions on each of the first four anniversaries of Admission. The IPO Awards will be granted as share options with an exercise price per Ordinary Share equal to the Placing Price.

*Other Awards*

Other awards granted under the LTIP will ordinarily vest in equal proportions on each of the first four anniversaries of grant. The nature of those awards will be determined by the Remuneration Committee at the appropriate time. The Remuneration Committee may also impose performance conditions on the vesting of such awards. While, as noted above, performance conditions have not been imposed on the Pre-IPO Awards and nor will they be imposed upon the IPO Awards, other awards granted to executive Directors and certain other selected members of senior management will be granted subject to appropriate performance conditions. The Company will consult with its major shareholders as to the nature of those performance conditions in advance of any such awards being granted. Other awards granted to more junior employees may, however, continue to be granted without performance conditions being imposed.

The Remuneration Committee may vary any performance conditions applying to awards if an event has occurred which causes the Remuneration Committee to consider that it would be appropriate to amend the performance conditions, provided the Remuneration Committee considers the varied conditions are fair and reasonable and not materially less challenging than the original conditions would have been but for the event in question.

***Dividend equivalents***

The Remuneration Committee may decide that participants will receive a payment (in cash and/or Ordinary Shares) on or shortly following the settlement of their award of an amount equivalent to the dividends that would have been paid on the vested Ordinary Shares between the grant of the award and its settlement. This amount may assume the reinvestment of dividends. Alternatively, participants may have the number of Ordinary Shares subject to their awards increased as if dividends were paid on those Ordinary Shares and then reinvested in further Ordinary Shares.

***Leaving employment***

As a general rule, an award will lapse upon a participant ceasing to hold employment with or be a director of a member of the Enlarged Group. However, if a participant ceases to be an employee or a director because of his death, injury, disability, retirement, redundancy, his employing company or the business for which he works being sold out of the Enlarged Group or in other circumstances at the discretion of the Remuneration Committee, then his award will vest when he leaves. The extent to which an award will vest in these situations will depend upon two factors: (i) the extent to which any performance conditions have been satisfied by reference to the date of cessation; and (ii) the pro-rating of the award to reflect the reduced period of time between its grant and vesting, although the Remuneration Committee can decide not to pro-rate an award if it regards it as inappropriate to do so in the particular circumstances.

If a participant ceases to be an employee or director in the Company's group for one of the "good leaver" reasons specified above the Remuneration Committee can decide that his award will vest on the date on which it would have vested if he had not ceased such employment or office, subject to: (i) any performance conditions being satisfied at the relevant time; and (ii) pro-rating by reference to the time of cessation as described above.

***Corporate events***

In the event of a takeover or winding up of the Company (not being an internal corporate reorganisation), all awards will vest early subject to: (i) the extent that any performance conditions have been satisfied at that time; and (ii) the pro-rating of the awards to reflect the reduced period of time between their grant and vesting, although the Remuneration Committee can decide not to pro-rate an award if it regards it as inappropriate to do so in the particular circumstances.

In the event of an internal corporate reorganisation, awards will be replaced by equivalent new awards over shares in a new holding company unless the Remuneration Committee decides that awards should vest on the basis which would apply in the case of a takeover.

If a demerger, special dividend or other similar event is proposed which, in the opinion of the Remuneration Committee, would affect the market price of Ordinary Shares to a material extent, then the Remuneration Committee may decide that awards will vest on the basis which would apply in the case of a takeover as described above.

***Participants' rights***

Conditional awards and options will not confer any shareholder rights until the awards have vested or the options have been exercised and the participants have received their Ordinary Shares. Holders of forfeitable share awards will have shareholder rights from when the awards are made except that they may be required to waive their rights to receive dividends.

***Rights attaching to Ordinary Shares***

Any Ordinary Shares allotted when an award vests or is exercised will rank equally with Ordinary Shares then in issue (except for rights arising by reference to a record date prior to their allotment).

***Variation of capital***

In the event of any variation of the Company's share capital or in the event of a demerger, payment of a special dividend or similar event which materially affects the market price of the Ordinary Shares, the Remuneration Committee may make such adjustment as it considers appropriate to the number of Ordinary Shares subject to an award and/or the exercise price payable (if any).

***Dilution limit***

The LTIP may operate over newly issued Ordinary Shares, Ordinary Shares held in treasury or Ordinary Shares purchased in the market. It is the Company's intention to establish a conventional employee benefit trust on or shortly after Admission to facilitate the settlement of awards granted under the LTIP.

In any ten calendar year period, the Company may not issue (or grant rights to issue) more than 15 per cent. of the issued ordinary share capital of the Company under the LTIP and any other employee share plan adopted by the Company.

Ordinary Shares held in treasury will count as newly issued Ordinary Shares for the purposes of this limit unless the Company taking into account the views of the institutional investors decide that they need not count.

For the avoidance of doubt, the Ordinary Shares subject to both the Pre-IPO Awards and the IPO Awards will count towards this limit.

***Alterations***

The Committee may, at any time, amend the LTIP or the terms of an award in any respect, provided that the prior approval of shareholders is obtained for any amendments that are to the advantage of participants in respect of the rules governing eligibility, limits on participation, the overall limits on the issue of Ordinary

Shares or the transfer of Ordinary Shares held in treasury, the basis for determining a participant's entitlement to, and the terms of, the Ordinary Shares or cash to be acquired and the adjustment of awards.

The requirement to obtain the prior approval of shareholders will not, however, apply to any minor alteration made to benefit the administration of the LTIP, to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants or for any company in the Enlarged Group. Shareholder approval will also not be required for any amendments to any performance condition applying to an award.

## 10. Taxation

The following statements are intended only as a general guide to United Kingdom tax legislation and to the current practice of the HMRC and do not constitute tax advice. They may not apply to certain categories of shareholder, such as dealers in securities. Levels and bases of taxation are subject to change. Any person who is in any doubt as to his tax position or who is resident for tax purposes outside the United Kingdom is strongly recommended to consult his professional advisers immediately.

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

Save in relation to non-EU depository receipt arrangements or clearance services, where special rules apply, no charge to stamp duty or stamp duty reserve tax ("**SDRT**") should arise on the issue of new Ordinary Shares pursuant to the Placing or on their registration in the names of applicants. A subsequent transfer on the sale of Ordinary Shares held in certificated form will ordinarily be subject to stamp duty on the instrument of transfer, generally at the rate of 0.5 per cent. of the amount or value of the consideration. Paperless transfers of shares within CREST will be liable to SDRT rather than stamp duty (generally at a rate of 0.5 per cent.) and SDRT on the relevant transactions settled in CREST or reported through CREST for regulatory purposes will generally be settled by CREST. Special rules apply to market intermediaries, dealers and certain other persons and professional advice should be sought if these rules apply.

### 10.2 *Dividends*

The United Kingdom taxation implications relevant to the receipt of dividends on the new Ordinary Shares are as follows:

There is no United Kingdom withholding tax on dividends. UK resident individual holders of new Ordinary Shares will be taxable on the total of the dividend and the related notional tax credit ("**gross dividend**"), which will be regarded as the top slice of the individual's income.

The notional tax credit on dividends is one-ninth of the dividend paid (or 10 per cent. of the aggregate of the dividend and the tax credit). For individuals, the income tax rates on dividend income are such that basic rate taxpayers will have no further tax liability on a dividend receipt. Higher rate taxpayers pay tax on dividends at 32.5 per cent. so that a higher rate taxpayer receiving a dividend of £90 will be treated as having gross income of £100 (the net dividend of £90 plus a tax credit of £10) and after allowing for the tax credit of £10 will have a further £22.50 liability. An individual who receives a dividend falling above the threshold for additional rate tax, will be subject to tax on the gross dividend exceeding the threshold at the rate of 42.5 per cent. (37.5 per cent. from 6 April 2013). Generally, holders of new Ordinary Shares will not be entitled to reclaim the tax credit attaching to any dividends paid.

A holder of new Ordinary Shares which is a company resident for tax purposes in the United Kingdom will have to pay corporation tax in respect of any dividends it receives from another company resident for tax purposes in the United Kingdom, unless the dividends fall within an exempt class and certain other conditions are met. Whether an exempt class applies and whether the other conditions are met will depend on the circumstances of the particular UK resident company shareholder, although it is expected that the dividends paid would normally be exempt.

Shareholders resident for tax purposes outside the UK may be subject to foreign taxation on dividends received on their new Ordinary Shares or in respect of other transactions relating to the shares under the tax law of their country of residence. Such shareholders will not be subject to any further UK tax on their dividends where they have no other sources of income from the UK and do not have a UK representative or, in the case of trustees, there are no UK resident beneficiaries of the trust. Entitlement to claim repayment of any part of a tax credit, however, will depend, in general, on the existence and terms of any double tax convention between the United Kingdom and the country in which the holder is resident (however, given the rate of the tax credit on dividends, any such repayment may not be significant). Non-UK resident shareholders should consult their own tax advisers as soon as possible concerning their tax liability on dividends received; what relief, credit or entitlement to a refund of any tax credit may be available in the jurisdiction in which they are resident for tax purposes; or other taxation consequences arising from their ownership of the new Ordinary Shares.

10.3 ***Disposal of shares acquired under the Placing***

A Shareholder who is an individual resident or ordinarily resident for tax purposes in the UK who sells or otherwise disposes of his Ordinary Shares may, depending on the circumstances, incur a liability to UK tax on any capital gain realised at a rate of 28 per cent., or 18 per cent. for basic rate taxpayers.

Corporate shareholders within the charge to UK corporation tax may be liable to corporation tax on any chargeable gains realised on the disposal of Ordinary Shares but will generally be entitled to indexation allowance in respect of these Ordinary Shares up until the date of disposal.

A Shareholder who is not resident or ordinarily resident for tax purposes in the UK will not normally be liable for UK tax on capital gains realised on the disposal of his Ordinary Shares unless at the time of the disposal such Shareholder carries on a trade (which for this purpose includes a profession or vocation) in the UK through a permanent establishment and such Ordinary Shares are to have been used, held or acquired for the purposes of such UK permanent establishment. A shareholder who is an individual and who has, on or after 17 March 1998, ceased to be resident and ordinarily resident for tax purposes in the UK for a period of less than five years of assessment and who disposes of Ordinary Shares during that period may be or become liable to UK taxation of chargeable gains (subject to any available exemption or relief).

10.4 ***Tax reliefs***

Entrepreneurs' Relief may be available to apply a lower rate of capital gains tax (10 per cent.) on a disposal of Ordinary Shares by a shareholder who is an officer or employee of the Company and who meets certain other conditions, including holding at least 5 per cent. of the ordinary share capital and voting power of the Company. A holding in the shares of the Company may qualify for other reliefs such as capital gains tax gift relief and inheritance tax business property relief. However, individuals should seek confirmation as to whether any relief is available in their own particular circumstances at the relevant time. Subject to satisfying certain qualifying criteria, including period of ownership and percentage shareholding, the shareholdings of corporate shareholders within the charge to UK tax may qualify for the Substantial Shareholdings Exemption ("SSE"). Where applicable, the SSE exempts any gain arising on the disposal of qualifying shares and, conversely, no capital loss will crystallise on disposal.

**Persons who are not resident in the United Kingdom should consult their own tax advisers on the possible application of such provisions and on what relief or credit may be claimed for any such tax credit in the jurisdiction in which they are resident.**

**These comments are intended only as a general guide to the current tax position in the United Kingdom as at the date of this document. The comments assume that Ordinary Shares are held as an investment and not as an asset of a financial trade and that any dividends paid are not foreign income dividends. If you are in any doubt as to your tax position, or are subject to tax in a jurisdiction other than the United Kingdom, you should consult your professional adviser.**

## 11. Material contracts

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

(a) A Placing Agreement dated 11 April 2012 between the Company, the Directors and Canaccord (the "**Broker**") pursuant to which Canaccord has agreed, subject to certain conditions, to act as agent for the Company and to use its reasonable endeavours to procure placees to subscribe for the Placing Shares (other than the Directors' Subscription Shares) at the Placing Price. The Placing has not been underwritten.

The Placing Agreement is conditional upon, *inter alia*, Admission occurring on or before 8.00 a.m. on 16 April 2012 (or, such later date as the Company and Canaccord may agree, being not later than 8.00 a.m. on 15 May 2012). The Company and the Directors have each given certain customary warranties and undertakings to Canaccord (which so far as the Directors are concerned are limited in terms of the amount of liability) regarding the accuracy of the information contained in this document and other matters relating to the Company, the E5 Group and their respective businesses, the E5 Acquisition, the Hattrick Acquisition, the Concept Art House Acquisition and the Sneaky Games Acquisition and such representations, warranties and undertakings are deemed to be repeated and given as at the date of Admission, and on the date that any supplementary admission document is published by the Company. The Company has also given an indemnity to Canaccord in customary terms against certain losses, should they be incurred by Canaccord or other persons connected with Canaccord arising, *inter alia*, in connection with the making or implementation of the Placing and Admission.

The Placing Agreement is terminable in certain circumstances by Canaccord prior to Admission in particular in the event of a material breach of the warranties. The Company has also given undertakings to Canaccord that, *inter alia*, it will refrain from taking certain actions in relation to the Acquisition Agreements without the prior consent of Canaccord.

The Company shall on and subject to Admission pay Canaccord a corporate finance fee of £250,000 and a commission of 5 per cent. of the amount equal to the aggregate value of the Placing Shares (other than the Directors' Subscription Shares) subscribed for under the Placing at the Placing Price. In addition, the Company has agreed, conditional on Admission, to grant warrants to subscribe for Ordinary Shares to Canaccord, further details of which are set out in paragraph 11.1(l) of this Part 10.

Under the terms of the engagement letter entered into by the Company with Canaccord, in the event that Admission does not occur for any reason other than as a result of a material breach by Canaccord, the Company has agreed to pay to Canaccord a fee of £50,000. If Admission subsequently completes, any future corporate finance fee payable to Canaccord will be reduced by the same amount.

(b) An agreement dated 11 April 2012 between the Company, Canaccord and the Directors whereby the Company agreed to appoint Canaccord and Canaccord agreed to act as the Company's nominated adviser and broker.

The Company has agreed to pay Canaccord an annual fee in respect of the provision of these services. Either party may terminate this agreement upon one month's notice, although Canaccord retains the right to terminate upon notice in certain circumstances such as material breach. The agreement contains undertakings, warranties and indemnities from the Company to Canaccord which are customary in the context of the agreement.

(c) The Share Exchange Agreement dated 11 April 2012 between the Company, E5 and certain shareholders in E5 in relation to the acquisition of approximately 64 per cent. of the issued shares in E5 by the Company. Pursuant to the Share Exchange Agreement the Company, conditional upon Admission and completion of the Hattrick Acquisition, will issue:

(a) an initial consideration of, in aggregate, 1,010,138 Ordinary Shares (the "**Initial Consideration Shares**"); and

(b) an aggregate amount of deferred consideration, subject to the satisfaction of certain conditions, payable as follows:

   (i) subject to the average mid-market price of each Ordinary Share for a period of 45 consecutive days prior to the fourth anniversary of Admission being at least 150 per cent. of the Placing Price, by the issue to the shareholders of E5 of an aggregate number of Ordinary Shares equal to the number of aggregate Initial Consideration Shares within 20 business days of such share price hurdle being met;

   (ii) subject to the average mid-market price of each Ordinary Share for a period of 45 consecutive days prior to the fourth anniversary of Admission being at least 200 per cent. of the Placing Price, by the issue to the shareholders of E5 of an aggregate number of Ordinary Shares equal to the number of aggregate Initial Consideration Shares within 20 business days of such share price hurdle being met;

   (iii) subject to the average mid-market price of each Ordinary Share for a period of 45 consecutive days prior to the fourth anniversary of Admission being at least 250 per cent. of the Placing Price, by the issue to the shareholders of E5 of an aggregate number of Ordinary Shares equal to the number of aggregate Initial Consideration Shares within 20 business days of such share price hurdle being met; and

   (iv) subject to the average mid-market price of each Ordinary Share for a period of 45 consecutive days prior to the fourth anniversary of Admission being at least 300 per cent. of the Placing Price, by the issue to the shareholders of E5 of an aggregate number of Ordinary Shares equal to the number of aggregate Initial Consideration Shares within 20 business days of such share price hurdle being met.

E5 has given certain limited customary warranties in connection with the acquisition of the shares in E5.

(d) An acquisition agreement dated 11 April 2012 between the Company, certain indemnifying shareholders and founders of Hattrick ("**Indemnifying Sellers and Founders**") and the other non-indemnifying shareholders and other founder of Hattrick ("**Other Sellers and Founder**", and together with the Indemnifying Sellers and Founders, the "**Sellers**") whereby the Company agreed to purchase the entire issued and to be issued share capital of Hattrick ("**Sale Shares**") conditional on Admission having occurred on or before a longstop date of 30 April 2012 (the "**Condition**").

Each of the Company and the Sellers may terminate the Hattrick Acquisition Agreement prior to Completion if the other party is subject to an application for winding up or the appointment of an administrator, receiver or liquidator. In addition, the Company may terminate the Hattrick Acquisition Agreement prior to completion in the event that there is, amongst other things: (i) a breach by a Seller or Founder of any pre-completion obligations; or (ii) a material adverse change in relation to Hattrick; in each case which, in the opinion of the Board (acting reasonably), is not capable of being remedied prior to the completion date or is not remedied by the Sellers to the Company's satisfaction prior to completion.

The total consideration for the Sale Shares consists of:

(a) an initial consideration of €15,000,000 to be satisfied by a combination of €6,600,000 in cash (subject to adjustment pursuant to a completion accounts adjustment mechanism) ("**Cash Consideration**"), €6,400,000 in Hattrick Loan Notes and the issue and allotment of such number of Ordinary Shares credited as fully paid as shall have an aggregate value of approximately €2,000,000 (at the Placing Price); and

(b) an aggregate amount of deferred consideration, subject to the satisfaction of certain conditions in 2012 and 2013, of up to a maximum payment of €7,500,000 in cash.

Each of the Sellers has given certain warranties and representations to the Company in respect of the Sale Shares and their title to and capacity to sell such Sale Shares. The Indemnifying Sellers and Founders have given certain additional customary commercial warranties, representations and indemnities to the Company in relation to Hattrick at the time of exchange and such warranties will also be given at the time of completion of the Hattrick SPA. Save where expressly stated to the contrary in the Hattrick Acquisition Agreement, the liability of the Sellers is several.

Prior to execution of and as a condition precedent to the Hattrick Acquisition Agreement, a business transfer agreement was executed by HL and Hattrick, pursuant to which the business of HL was transferred to Hattrick for a consideration of £2,000. Under the terms of the business transfer agreement, Hattrick assumed all obligations and liabilities pertaining to any asset or agreement in the HL business and all debts existing on the HL balance sheet save for any liabilities in relation to tax and Hattrick acquired the business of HL and assets and interests of HL save for HL's interest in shares in Battrick Limited, Kcrittah E Hattrick SA and Dynastica Limited.

The Hattrick Acquisition Agreement is governed by the laws of England and Wales.

The aggregate liability of each individual Seller or Founder for any claim under the Hattrick Acquisition Agreement is limited to his relevant share of €7,000,000 (save for certain limited exceptions such as fraud). Written notice of a warranty claim under the Hattrick Acquisition Agreement must be given by the Company to the Sellers' representative within 18 months of completion of the Hattrick Acquisition Agreement in respect of general warranties and within 7 years of completion of the Hattrick Acquisition Agreement in respect of the tax warranties.

(e) The Company will issue an instrument to be dated on or around the date of completion of the Hattrick Acquisition constituting €6,400,000 unsecured loan notes, comprising the Hattrick Loan Notes, to certain Sellers in connection with the Hattrick Acquisition Agreement.

The Hattrick Loan Notes can be redeemed by the Company at any time up until the final maturity date, being:

(a) in the event that either a holder of the Hattrick Loan Notes or the Company serves an extension notice on the other at any time up until the first anniversary of the date of the Hattrick Loan Notes (the "**Initial Period**"), the second anniversary of the date of the Hattrick Loan Notes; or

(b) in the event that neither a holder of the Hattrick Loan Notes nor the Company serves an extension notice on the other, the Initial Period.

The Hattrick Loan Notes, can be converted into Ordinary Shares at any time, at the holders of the Hattrick Loan Notes' sole option, with 5 business days' prior written notice to Company, or alternatively at any time within five business days of the date of a redemption notice served by the Company to a Hattrick Loan Note holder.

The Hattrick Loan Notes will attract interest at a rate of: (i) 5 per cent. per annum during the Initial Period; (ii) 5 per cent. per annum during the period between the first anniversary and second anniversary of the Hattrick Loan Notes (the "**Extension Period**") in the event that a holder of Hattrick Loan Notes elects to serve an extension notice on the Company; or (iii) 10 per cent. per annum during the Extension Period in the event that the Company elects to serve an extension notice on a holder of Hattrick Loan Notes, in each case on the basis of a

365 day year, accruing on a daily basis and paid on the date on which such Hattrick Loan Notes are redeemed or converted.

The applicable conversion price is a price per share equal to the Placing Price.

The Hattrick Loan Notes are transferable to other holders of the Hattrick Loan Notes or their affiliates.

The holders of Hattrick Loan Notes may require that the Hattrick Loan Notes held by him be redeemed in cash if at any time:

- an order is made or a resolution is passed for the liquidation, dissolution or winding up of the Company (other than a voluntary winding up);
- an administrator is appointed in respect of the Company;
- a receiver is appointed in respect of the whole or any material part of the assets or the undertaking of the Company;
- the Company makes any arrangement or composition with its creditors;
- the Company is in material breach of a covenant or undertaking it has given in connection with the Hattrick Loan Notes, all of which are customary (which has not been remedied within a certain period); or
- there is a change of control of the Company.

Until redemption in cash or conversion in full of the Hattrick Loan Notes, the Company is not permitted to create (a) any financial indebtedness or security over the assets of the Company and/or any Group Company (save in certain permitted circumstances); (b) enter into any transaction to dispose of any shares or material assets of Hattrick (or any subsidiaries thereof); (c) acquire the whole or part of any other business or undertaking (save with the prior written consent of the Sellers' representative); or (d) conduct a placing (save with the prior written consent of the Sellers' representative).

For such time that any Hattrick Loan Notes remain outstanding, L'Etoile Mysterieuse AB shall have the right to appoint a representative to attend as observer each meeting of the Board and/or sub-committee of the Board but who shall not have any voting rights at any such meeting.

(f) **Concept Art House Acquisition Agreement**

An agreement and plan of merger dated 11 April 2012 among the Company, Zattikka Merger Subsidiary I, Concept Art House, and the shareholders of Concept Art House whereby the Company, through its wholly owned subsidiary, Zattikka Merger Subsidiary I, agreed to acquire Concept Art House pursuant to a merger in which Zattikka Merger Subsidiary I would merge into Concept Art House and Concept Art House would be the surviving corporation. The Concept Art House Acquisition Agreement is subject to several completion conditions, including the following general conditions:

- Admission having occurred;
- the Hattrick Acquisition Agreement having completed;
- approval by Concept Art House's shareholders; and
- no governmental action or litigation occurring that affects the legality or seeks to restrain the acquisition.

Each party's obligations to complete the transaction are also subject to certain conditions (which the party can waive), including the truth and accuracy of representations and warranties made, no breach of the Concept Art House Acquisition Agreement having occurred, no action having commenced seeking to prevent completion, requisite approvals having been obtained and certain other deliverables being provided. The Company's obligations are also conditional on there being no material adverse effect on the business of Concept Art House and certain other corrective actions being taken in connection with its business. The conditions must be achieved at the latest by the effective time of the merger between Zattikka Merger Subsidiary I and Concept Art House. Each party may terminate the agreement by mutual written consent or if the other is in material breach.

The total consideration for the Concept Art House common and preferred stock consists of an aggregate consideration of US$13,000,000 to be satisfied by a combination of cash, loan notes and Ordinary Shares as follows: 46.15 per cent. in cash and loan notes (split as to US$3.6 million, in cash and US$2.4 million in loan notes) and 53.85 per cent. in Ordinary Shares (representing approximately US$7 million and comprising 4,423,102 Ordinary Shares).

Concept Art House and the shareholders of Concept Art House ("**Concept Art House Sellers**") have made certain warranties and representations to the Company and the Company in respect of their shares of Concept Art House common and preferred stock, including as to title to and capacity to sell. The Concept Art House Sellers have also made certain additional customary warranties and representations about Concept Art House and its business. The Concept Art House Sellers also provide certain indemnities to the Company for breach of representations and warranties and covenants under the Concept Art House Acquisition Agreement.

The Company has agreed under certain circumstances to indemnify the selling shareholders for US income taxes imposed on them to the extent the share consideration they receive is subject to US federal income tax.

The aggregate liability of the Concept Art House Sellers for any claim under the Concept Art House Acquisition Agreement is limited to $2,600,000 (save for certain limited exceptions such as fraud). Written notice of a warranty claim under the Concept Art House Acquisition Agreement must be given by the Company to the Concept Art House Sellers within 15 months of completion of the Concept Art House Acquisition Agreement in respect of warranties.

The Concept Art House Acquisition Agreement is governed by the laws of Delaware.

(g) The Company will issue an instrument to be dated on or around the date of completion of the Concept Art House Acquisition constituting US$2,400,000 unsecured loan notes due 2013, comprising the Concept Art House Loan Notes, to certain shareholders of Concept Art House in connection with the Concept Art House Acquisition Agreement.

The Concept Art House Loan Notes can be redeemed by the Company at any time up until the final maturity date, being:

(a) in the event that either a holder of the Concept Art House Loan Notes or the Company serves an extension notice on the other during the period at any time up until the first year anniversary of the date of the Concept Art House Loan Notes (the "**Concept Art House Initial Period**"), the second year anniversary of the date of the Concept Art House Loan Notes; or

(b) in the event that neither a holder of the Concept Art House Loan Notes nor the Company serves an extension notice on the other, the first year anniversary of the date of the Concept Art House Loan Notes.

The Concept Art House Loan Notes can be converted into Ordinary Shares at any time, at the holders of the Concept Art House Loan Notes' sole option, with 5 business days' prior written notice to Company, or alternatively at any time within five business days of the date of a redemption notice served by the Company to a Concept Art House Loan Note holder.

The Concept Art House Loan Notes will attract interest at a rate of: (i) 5 per cent. per annum during the Concept Art House Initial Period; (ii) 5 per cent. per annum during the period between the first year anniversary and second year anniversary of the Concept Art House Loan

Notes (the "**Concept Art House Extension Period**") in the event that a holder of Concept Art House Loan Notes elects to serve an extension notice on the Company; or (iii) 10 per cent. per annum during the Concept Art House Extension Period in the event that the Company elects to serve an extension notice on a holder of Concept Art House Loan Notes, in each case on the basis of a 365 day year, accruing on a daily basis and paid on the date on which such Concept Art House Loan Notes are redeemed or converted.

The applicable conversion price is a price per share equal to the Placing Price.

The Concept Art House Loan Notes are transferable to other holders of Concept Art House Loan Notes or their affiliates.

The holders of Concept Art House Loan Notes may require that the Concept Art House Loan Notes held by him be redeemed in cash if at any time:

- an order is made or a resolution is passed for the liquidation, dissolution or winding up of the Company (other than a voluntary winding up);
- an administrator is appointed in respect of the Company;
- a receiver is appointed in respect of the whole or any material part of the assets or the undertaking of the Company;
- the Company makes any arrangement or composition with its creditors;
- the Company is in material breach of a covenant or undertaking it has given in connection with the Concept Art House Loan Notes, all of which are customary (which is not remedied within a certain period); or
- there is a change of control of the Company.

Until redemption in cash or conversion in full of the Concept Art House Loan Notes, the Company is not permitted to create (a) any financial indebtedness or security over the assets of the Company and/or any Group Company (save in certain circumstances); or (b) enter into any transaction to dispose of any shares or material assets of Concept Art House (or any subsidiaries thereof); (c) acquire the whole or part of any other business or undertaking for cash (save with the prior written consent of the Concept Art House shareholders' representative) save in respect of the Hattrick Acquisition or the Sneaky Games Acquisition; or (d) conduct a placing (save with the prior written consent of the Concept Art House shareholders' representative).

(h) **Sneaky Games Acquisition Agreement**

An agreement and plan of merger dated 11 April 2012 among the Company, Zattikka Merger Subsidiary II, Sneaky Games, and the shareholders of Sneaky Games whereby the Company, through its wholly owned subsidiary, Zattikka Merger Subsidiary II, agreed to acquire Sneaky Games pursuant to a merger in which the Zattikka Merger Subsidiary II would merge into Sneaky Games and Sneaky Games would be the surviving corporation. The Sneaky Games Acquisition Agreement is subject to several completion conditions, including the following general conditions:

- Admission having occurred;
- the Hattrick Acquisition Agreement having completed;
- approval by Sneaky Games' shareholders; and
- no governmental action or litigation occurring that affects the legality or seeks to restrain the acquisition.

Each party's obligations to complete the transaction are also subject to certain conditions (which the party can waive), including the truth and accuracy of representations and warranties made, no breach of the Sneaky Games Acquisition Agreement having occurred, no action having commenced seeking to prevent completion, requisite approvals having been obtained and certain other deliverables being provided. The Company's obligations are also conditioned on there being no material adverse effect on the business of Sneaky Games and certain other corrective actions being taken in connection with its business including Sneaky Games executing a supplemental intellectual property assignment agreement with Net Recon Consulting, LLC. The conditions must be achieved at the latest by the effective time of the merger between the Company Merger Subsidiary II and Sneaky Games. Each party may terminate the agreement by mutual written consent or if the other is in material breach.

The total consideration for the Sneaky Games common and preferred stock consists of:

(a) an initial consideration of US$5,775,000 to be satisfied by a combination of cash and Ordinary Shares as follows: 49.35 per cent. in cash and loan notes (split US$1.71 million in cash and US$1.14 million in loan notes) and 50.65 per cent. in Ordinary Shares (representing approximately US$2.93 million and comprising 1,848,224 Ordinary Shares); and

(b) deferred consideration, subject to certain conditions, of up to US$325,000 payable in Ordinary Shares (comprising 205,358 Ordinary Shares) upon Sneaky Games meeting certain EBITDA requirements for fiscal year 2012.

Sneaky Games and the shareholders of Sneaky Games ("**Sneaky Games Sellers**") have made certain warranties and representations to the Company and the Company in respect of their shares of Sneaky Games common and preferred stock, including as to title to and capacity to sell. The Sneaky Games Sellers have also made certain additional customary warranties and representations about Sneaky Games and its business. The Sneaky Games Sellers also provide certain indemnities to the Company for breach of representations and warranties and covenants under the Sneaky Games Acquisition Agreement.

The Company has agreed under certain circumstances to indemnify the selling shareholders for US income taxes imposed on them to the extent the share consideration they receive is subject to US federal income tax.

The aggregate liability of the Sneaky Games Sellers for any claim under the Sneaky Games Acquisition Agreement is limited to $1,800,000 (save for certain limited exceptions such as fraud). Written notice of a warranty claim under the Sneaky Games Acquisition Agreement must be given by the Company to the Sneaky Games Sellers within 18 months of completion of the Sneaky Games Acquisition Agreement in respect of warranties.

The Sneaky Games Acquisition Agreement is governed by the laws of Delaware.

(i) The Company will issue an instrument to be dated on or around the date of completion of the Sneaky Games Acquisition constituting US$1,140,000 unsecured loan notes due 2013, comprising the Sneaky Games Loan Notes, to certain shareholders of Sneaky Games in connection with the Sneaky Games Acquisition Agreement.

The Sneaky Games Loan Notes can be redeemed by the Company at any time up until the final maturity date, being:

(a) in the event that either a holder of the Sneaky Games Loan Notes or the Company serves an extension notice on the other during the period at any time up until the first year anniversary of the date of the Sneaky Games Loan Notes (the "**Sneaky Initial Period**"), the second year anniversary of the date of the Sneaky Games Loan Notes; or

(b) in the event that neither a holder of the Sneaky Games Loan Notes nor the Company serves an extension notice on the other, the first year anniversary of the date of Sneaky Games Loan Notes.

The Sneaky Games Loan Notes can be converted into Ordinary Shares at any time, at the holders of the Sneaky Games Loan Notes' sole option, with 5 business days' prior written notice to Company, or alternatively at any time within five business days of the date of a redemption notice served by the Company to a Sneaky Games Loan Note holder.

The Sneaky Games Loan Notes will attract interest at a rate of: (i) 5 per cent. per annum during the Sneaky Games Initial Period; (ii) 5 per cent. per annum during the period between the first year anniversary and second year anniversary of the Sneaky Games Loan Notes (the "**Sneaky Games Extension Period**") in the event that a holder of Sneaky Games Loan Notes elects to serve an extension notice on the Company; or (iii) 10 per cent. per annum during the Sneaky Games Extension Period in the event that the Company elects to serve an extension notice on a holder of Sneaky Games Loan Notes, in each case on the basis of a 365 day year, accruing on a daily basis and paid on the date on which such Sneaky Games Loan Notes are redeemed or converted.

The applicable conversion price is a price per share equal to the Placing Price.

The Sneaky Games Loan Notes are transferable to other holders of Sneaky Games Loan Notes or their affiliates.

The holders of Sneaky Games Loan Notes may require that the Sneaky Games Loan Notes held by him be redeemed in cash if at any time:

- an order is made or a resolution is passed for the liquidation, dissolution or winding up of the Company (other than a voluntary winding up);
- an administrator is appointed in respect of the Company;
- a receiver is appointed in respect of the whole or any material part of the assets or the undertaking of the Company;
- the Company makes any arrangement or composition with its creditors;
- the Company is in material breach of a covenant or undertaking (which is not remedied within a certain period); or
- there is a change of control of the Company.

Until redemption in cash or conversion in full of the Sneaky Games Loan Notes, the Company is not permitted to create (a) any financial indebtedness or security over the assets of the Company and/or any Group Company (save in certain circumstances); or (b) enter into any transaction to dispose of any shares or material assets of Sneaky Games (or any subsidiaries thereof); (c) acquire the whole or part of any other business or undertaking for cash (save with the prior written consent of the Sneaky Games shareholders' representative) save in respect of the Hattrick Acquisition or the Concept Art House Acquisition; or (d) conduct a placing (save with the prior written consent of the Concept Art House shareholders' representative).

(j) Lock-in agreement dated 11 April 2012, pursuant to which each of the Directors have agreed: (a) not to dispose of any interests in any of their Ordinary Shares for a period of 12 months from the date of Admission (save in certain limited circumstances); and (b) from the date of Admission and for so long as Canaccord is the nominated adviser and/or broker to the Company, to effect any disposal of their Ordinary Shares through Canaccord (or such other brokers as shall have been appointed by the Company) to preserve an orderly market (save that this orderly market obligation shall cease to apply after the expiry of the date falling 24 months after Admission ("**Termination Date**")) (i) on the Termination Date in respect of any Director who has prior to the Termination Date ceased to be a director and an employee of the Group; and (ii) after the Termination Date on such later date a Director ceases to be a director or an employee of the Group); and (c) the lock-in and orderly market requirement applies to all Ordinary Shares held by a Director (including all those acquired or issued post-Admission).

(k) Lock-in agreement dated 11 April 2012, pursuant to which each of James Zhang, Scott Chou, David Godwin, Daniel Abrahamsson and Johan Gustafsson has agreed: (i) not to dispose of any interests in any of his Ordinary Shares for a period of 12 months from the date of Admission (save in certain limited circumstances); and (ii) for a period of 24 months from the date of Admission, to effect any disposal through Canaccord (or such other brokers as shall have been appointed by the Company) to preserve an orderly market (unless with the prior written consent of Canaccord). The lock-in and orderly market requirement does not apply to Ordinary Shares acquired post-Admission (other than if such acquired Ordinary Shares derive from Ordinary Shares held at the time of Admission).

(l) The Company has, conditional upon Admission, granted warrants to Canaccord (the "**Canaccord Warrants**"). The Canaccord Warrants give Canaccord the right to subscribe for 219,687 Ordinary Shares at the Placing Price, representing 1 per cent. of the Enlarged Share Capital. The Canaccord Warrants are exercisable for a period of 18 months following Admission (though this period may be extended in circumstances where Canaccord is not able to exercise the Canaccord Warrants within such time as a result of being in possession of inside information).

(m) The Company has, conditional upon Admission, granted warrants to Bond Capital giving Bond Capital the right to subscribe for 109,844 Ordinary Shares at the Placing Price, representing one half a per cent. of the Enlarged Share Capital. These warrants are exercisable for a period of 18 months following Admission.

(n) The Company has, conditional upon Admission, agreed to pay to Bond Capital Limited a one-off fee of £50,000 in respect of the provision of professional services including accounting support and strategic advice to the Company.

11.2 The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of the E5 Group: (i) within the period of two years immediately preceding the date of this document and which are, or may be, material; or (ii) which contain any provisions under which any member of the E5 Group has an obligation which is material to the E5 Group as at the date of this document.

(a) ZHL entered into a share exchange agreement with the shareholders of ZL (the "**ZL Vendors**") on 24 June 2010. Under the terms of the agreement:

- the ZL Vendors agreed to exchange their shares in ZL for the same class and number of shares in ZHL;
- ZHL warranted to the ZL Vendors that ZHL was a dormant company, which had: (a) not traded; (b) not entered into or incurred any contract, transaction, commitment or obligation of whatsoever nature at any time since its incorporation; and (c) no assets or liabilities; and
- following completion ZL became a wholly-owned subsidiary of ZHL.

(b) In November 2010 E5 entered into an engagement letter with Investec Investment Bank ("**Investec**") pursuant to which Investec agreed to provide advice and expertise in seeking a third party investment in the Company.

The engagement was terminated by a letter from E5 to Investec on 6 September 2011.

By a signed and returned letter dated 15 December 2011, Investec agreed to waive its rights to any future payments and any and all actions, claims, rights, demands and set-offs howsoever arising out of or in connection with the engagement letter between Investec and E5 (to include all associated and Group companies) in return for the payment of £200,000 (inclusive of VAT) required to be paid by E5 within 7 days of Admission.

(c) E5, ZHL and the shareholders of ZHL entered into a share exchange agreement dated 30 June 2010. Pursuant to the agreement:

- E5 agreed to acquire the entire issued share capital of ZHL;

- for each share of ZHL held by the ZHL shareholders, such shareholders received 170 shares of E5;
- the ZHL shareholders received a total of 7,480,000 shares of E5, representing 56.4 per cent. of the total shares of E5.

Following completion of the agreement, ZHL became a wholly-owned subsidiary of E5.

The agreement included standard and customary representations and warranties given by each of ZHL, the Company and the ZHL shareholders.

E5 agreed to indemnify ZHL and each of its officers, agents, directors and shareholders for a period of one year from the execution of the agreement, against any loss which they may become subject to arising out of the execution of the agreement or due to any inaccuracy or misrepresentation made in the representations and warranties made by E5.

The governing law of the agreement is Delaware.

(d) E5 and Notion Capital Partners, LLP ("**Notion**") entered into a subscription agreement dated 3 June 2010 pursuant to which E5 agreed to issue and sell to Notion, and Notion agreed to purchase from the E5, an aggregate of 1,028,000 shares of common stock at a per share price of $1.00. The proceeds totalled $1,028,000.

E5 and Notion each gave each other customary representations and warranties and, in addition, Notion agreed to indemnify the E5 for any loss suffered by E5 on account of a breach of a representation or warranty by Notion.

In connection with the subscription, E5 issued to Notion a warrant to purchase 500,000 shares of E5's common stock at an exercise price of $1.00 per share (the "**Notion Warrant**"). The Notion Warrant was issued in consideration for business support services and expired on 30 June 2011.

Additionally, so long as Notion holds 5 per cent. or more of the issued and outstanding common stock of E5, Notion was granted:

- a right of first refusal to purchase on the same terms, only in proportion to its then holding of shares in E5, upon the issuance of new shares for cash or other consideration subject to certain excepted issuances;
- the right to appoint a member to E5's board of directors and/or have an observer attend board meetings;
- Notion's written consent to be required prior to any change in E5's bylaws, sale of more than 50 per cent. of E5's assets, a material change in E5's business, a sale of 75 per cent. of the issued and outstanding common shares of E5 for total equity value less than $36,000,000 or a solvent winding up or liquidation; and
- the right to request quarterly management meetings.

(e) Following Notion's investment in E5, E5 and Notion entered into a side letter regarding E5's governance dated June 2010 (the "**Side Letter**").

Pursuant to this Side Letter, so long as Notion holds 5 per cent. or more of the issued and outstanding common stock of E5, Notion has the right:

- to appoint and remove one director of E5. The director is entitled to sit on all committees of the board. The Notion director is also entitled to receive fees of £15,000 per year (devoting a maximum of two days per month to E5's business). The Side Letter provides for this fee to increase to £30,000 by January 2012 if agreed by E5;

- with prior E5 written consent, to have an observer present (but not to vote) at meetings of E5 or any of its subsidiaries; and
- to request a quarterly management meeting (only if there is no Notion director on the board).

Notion's consent is required for the following actions: (i) any changes in bylaws or rights attached to shares of E5; (ii) increasing the number of directors beyond 8 directors; (iii) sale of 50 per cent. or more of the assets of E5; (iv) the sale of 75 per cent. of shares containing voting rights to an acquirer where the return to Notion on the sale would be less than 2.5 times the value of its investment; (v) a solvent winding up of E5; and (vi) a material change in the nature of the business.

Notion was granted a right of first refusal to purchase on the same terms, only in proportion to its then holding of shares in E5, upon the issuance of new shares for cash or other consideration subject to certain excepted issuances. Such a right does not apply to: (a) any shares allotted pursuant to the exercise of any options or warrants granted over incentive pool shares; (b) to any person in consideration of the sale or licence of a business or shares or other assets to E5; or (c) to any person providing goods or services to E5 on an arms length basis provided that the shareholding of Notion shall not be diluted by more than 5 per cent. by any one issue within (b) or (c) or more than 10 per cent. as a result of an issue falling within (b) and/or (c) over any 12 month period.

E5 agreed to certain pre-completion conditions including: (i) receipt of $4 million from other investors; and (ii) granting warrants to Notion for 500,000 shares at an exercise price of US$1 per share.

E5 also agreed to certain post-completion obligations including: (i) adoption of revised business plan with 90 days of completion; (ii) creation of a share option incentive pool; (iii) formation of a remuneration committee; and (iv) obtaining suitable officers and directors.

The governing law of the agreement is Delaware.

(f) E5 and the shareholders of E5 entered into a subscription agreement dated 8 February 2011 (unsigned) for an offering of up to a maximum of 1,000,000 shares of common stock at a purchase price per share of US$1.50 with offering proceeds totalling $711,967.

Customary warranties and representations were granted by each of E5 and the shareholders.

The shareholders agreed to indemnify E5 for any losses arising out of any breach of such representation or warranty.

The governing law for the agreement is Delaware.

(g) E5 and the shareholders of E5 entered into a subscription agreement dated 27 July 2011 (unsigned) for an offering of up to a maximum of 147,550 shares of common stock at a purchase price per share of US$1.02 with offering proceeds totalling $150,500.

Customary warranties and representations were granted by each of E5 and the shareholders.

The shareholders agreed to indemnify E5 for any losses arising out of any breach of such representation or warranty.

The governing law for the agreement is Delaware.

(h) E5 and the shareholders of E5 entered into a subscription agreement dated 15 August 2011 (unsigned) for an offering of up to a maximum of 1,000,000 shares of common stock at a purchase price per share of $1.02 with offering proceeds totalling $1,020,000.

Customary warranties and representations were granted by each of E5 and the shareholders.

The shareholders agreed to indemnify E5 for any losses arising out of any breach of such representation or warranty.

The governing law for the agreement is Delaware.

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

(a) The Hattrick Acquisition Agreement summarised at paragraph 11.1(d) of this Part 10.

(b) An agreement between HL and the Rubicon Projects, Inc. was entered into on 10 December 2010. The agreement relates to the provision of advertising and marketing optimization in connection with the domain Hattrick.org.

(c) A business transfer agreement was entered into between ExtraLives AB ("**Extralives**") and Spelkultur i Sverige AB ("**SKIS**"). The agreement came into effect on 1 August 2010. In that agreement, Extralives transferred those parts of its business relating to the development and maintenance of the Popmundo program to SKIS. The agreement also included transfer of certain assets including inventories and employees, but also unspecified assets such as know-how, technical information, certain receivables and unspecified obligations. The price paid for the business and assets was SEK 30,000.

(d) A business transfer agreement was entered into between Extralives and Spelkultur i Malmö AB ("**SKIM**") in 2010. The agreement came into effect on 1 August 2010. The agreement transferred the business relating to the development and maintenance of the Hattrick game from Extralives to SKIM. The agreement also included transfer of certain assets including inventories and employees, but also unspecified assets such as know-how, technical information, certain receivables and obligations. The price paid for the business and assets was SEK 75,000.

(e) An asset transfer agreement was entered into between HL and Football United International Limited ("**Football United**") dated 3 January 2011. Under the terms of the agreement, HL transferred the business and assets relating to a game named "Football United" game (including certain intellectual property rights) to Football United.

(f) A joint venture agreement was entered into between HL and Football United dated 1 April 2011. The agreement sets out the terms and conditions of the joint venture whereby each party agrees to market and promote the other's business through banner displays.

(g) A revenue sharing agreement was entered into between HL and Interia PL S.A. on 1 June 2009, whereby Interia PL. S.A. is entitled to 30 per cent. of revenues from advertising sales in Poland. The agreement contains a non-compete clause that prevents HL from collaborating with certain companies and internet portals, if such collaboration implies that Polish users can access Hattrick.org through a Polish interface via a website other than Interia PL S.A.'s. Interia S.A.'s remuneration for 2011 amounts to approximately EUR 600.

(h) A joint venture and shareholders agreement was entered into between HL, Allan Fairlie Clarke and Battrick Limited on 18 October 2006. In the agreement, HL has granted Battrick Limited a worldwide none-exclusive license to use HL's trademarks and other materials owned by HL including terms of business contracts, volunteer contracts, policies and procedures, licence agreements, and game and site data for the purpose of promoting the Internet based cricket game Battrick. The agreement also contains a non-compete clause which imposes restrictions on competing with the business of the company.

(i) Shareholders agreement between HL and the majority owner of the shares in Kcirttah & Hattrick-Gestão e Exploracão de Actividades Hoteleiras S.A (Portugal) dated 26 August 2005. The agreement contains a non-competition clause that restricts HL possibility to pursue activity related with creation, management and activities and establishments as hotels, restaurants and free time business related to the soccer theme or the Hattrick.org game. The non-compete obligation remains in force as long as the company is not insolvent.

(j) A termination agreement was entered into between HL and Digital Field Theory LLC dated on 15 March 2008, whereby Digital Field Theory LLC has been granted a non-transferable license for certain parts of the source code of Hattrick.org to use in Buzzerbeater, an Internet basketball manager game. The agreement also contains a non-compete clause that prevents HL and its shareholders from engaging in any business of any basketball manager game or any basketball manager game software which uses any part of Hattrick's code. The non-compete clause remains in force until March 2013.

(k) An asset and business purchase agreement was entered into on 11 April 2012 between Hattrick and HL. The agreement transfers the business conducted by HL to Hattrick, including all assets, rights, obligations and liabilities but excluding the shares in Battrick Limited, Kcirttah E hattrick SA and Dynastica Limited.

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

(a) Concept Art House and Xu Lei entered a License and Distribution Agreement, dated 28 December 2008 to license to Concept Art House copyright, publishing and other ancillary rights with respect to the book franchise "The Tomb" in graphic novels, comic books and other two and three dimensional animation or graphic products. Concept Art House agreed to pay Mr. Lei ten per cent. (10%) of its net revenue from the sale of products, less Concept Art House's creation, manufacture, distribution and marketing costs. The agreement for production of products in North America, South America and Europe is in effect for five years and terminates on or around 28 December 2013. The agreement provides for a perpetual term for the distribution by Concept Art House of products in Asia and a perpetual term for the promotion by Concept Art House of Products on a worldwide basis.

(b) Sneaky Games and Concept Art House entered into a Game Development Agreement, dated 19 May 2011, for Sneaky Games to develop a new game called Vampire Hunter for Facebook. Sneaky Games is to pay Concept Art House 50 per cent. of adjusted game net revenue on a monthly basis. All funds received are to be split between the two as to 50 per cent. each post game launch. This agreement terminates on or around 19 May 2013 but includes options to renew.

(c) Concept Art House and 5th Planet Games, Inc. entered into a Memorandum of Understanding, dated 3 November 2010, for 5th Planet Games to develop a Facebook game entitled Legacy of a Thousand Suns. 5th Planet Games will pay Concept Art House 30 per cent. of all adjusted game net revenue. If Concept Art House commercialises the game, 5th Planet Games shall be entitled to 30 per cent. and CAH 70 per cent. of the adjusted project net revenue. The initial term of the definitive agreement is for two years and will automatically renew for successive annual renewal terms unless otherwise terminated.

(d) Concept Art House concluded a US-based publishing contract with Image Comics, Inc. for the publication of a graphic novel based on the popular Chinese novel "Daomu." Concept Art House and Image Comics entered into a form publishing agreement used by Image Comics. The term stated in the form publishing agreement is open ended with a minimum term beginning from the initial publication and continuing so long as the work generates positive net profits; however, either party can terminate the agreement upon 30 days written notice. Concept Art House and Image Comics further entered in a formal Publishing Agreement, dated 1 October 2010 for the publication of a comic book entitled "Daomu". Concept Art House is entitled to all net profit of the work less the cumulative total of the minimum publishing fee (US$2,500.00), 20 per cent. of any revenues received for digital sublicensing, out-of-pocket costs, advanced payments paid by Image Comics to Concept Art House, and any and all other costs mutually agreed by the parties in writing). Concept Art House is entitled to 85 per cent. of net profits of related items, less the cumulative total of promotional materials, reimbursed advanced payments, and any and all other costs agreed by the parties in writing.

(e) Concept Art House entered into a Service and Profit Sharing Agreement with Rotvig Labs, LLC, dated 19 April 2011, whereby Concept Art House receives an 8 per cent. membership interest in Rotvig Labs and is entitled to profit sharing equal to 16 per cent. of Rotvig Lab's profits, which is reduced to 8 per cent. once Concept Art House receives $80,000 in profit sharing payments. Concept Art House is to provide Rotvig Labs with art services for Rotvig Lab's mobile gaming applications.

(f) Concept Art House entered into a Consultant Work-For-Hire Agreement with Granada Blue Studios, LLC, dated March 2010, with a three-year term. Concept Art House is to provide services to Granada Blue Studios to develop the Facebook game Infamous Anarchy with Granada Blue Studios, another game developer. Concept Art House is to receive upfront development costs and 20 per cent. of the royalties that Granada Blue Studios receives from Sony.

(g) Concept Art House entered into a Game Development Agreement with Blue Shell Games, Inc., as of 31 August 2011, to develop a mobile game with Blue Shell Games called FANTA. Blue Shell Games will provide the game support, including hosting and marketing, and Concept Art House will provide the art and assist with the creative aspects of game development. Blue Shell Games will split all revenues received with Concept Art House on tiered basis.

(h) Concept Art House entered into a Master Services Agreement with LightBox Interactive, dated 14 September 2011, to develop and produce digital animation and technical services on various projects. The amount of revenues received varies based on the scope of the projects. The agreement is subject to statement of works of approximately US$200,000.

(i) Concept Art House signed a Cooperation Education Agreement covering business in Eastern China in respect of the training of multi-media digital game development talent with a qualified education institution named Shanghai Information Service Training Centre for a one year term from 6 July 2011. Pursuant to this agreement, Shanghai Information Service Training Centre will assist Concept Art House in respect of the student enrollment, marketing, qualification of the training and communication with the public. Concept Art House will be responsible for the design of the training courses and the conduct of the training.

(j) Concept Art House has entered into a Memorandum of Understanding with the Government of Yangpu District of Shanghai to assist Concept Art House build a dedicated Digital Arts Hub of approximately 5,000 square meters.

(k) Concept Art House retains a line of credit (not to exceed US$100,000) with JPMorgan. Concept Art House has not currently drawn down the line of credit.

11.5 The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by Sneaky Games: (i) within the period of two years immediately preceding the date of this document and which are, or may be, material; or (ii) which contain any provision under which Sneaky Games has an obligation or entitlement which is material to Sneaky Games as at the date of this document.

(a) In December 2009, the newly created Sneaky Games and Net-Recon Consulting LLC entered into a Licensing and Royalty Agreement (the "Licensing and Royalty Agreement") to license until 1 December 2099 certain content, including the Sneaky Games name and several other brand names, domain names, web sites, and other materials from Net-Recon Consulting LLC. There are no licensing fees payable under the Licensing and Royalty Agreement. The agreement grants Sneaky Games an exclusive license to copyright, use, reuse, publish and republish the defined content in any advertising, display or product, including software releases, and derivative or ancillary products or works. As a supplement to the Licensing and Royalty Agreement, in March 2012, Sneaky Games and Net-Recon Consulting LLC entered into an Intellectual Property Transfer Agreement, which has an effective date of 11 December 2009. Pursuant to this transfer agreement, all materials licensed to Sneaky Games in the Licensing and Royalty Agreement have been assigned to Sneaky Games from Net-Recon Consulting LLC. In addition, Net-Recon Consulting LLC has relinquished any rights, title and interest it may have had in and to any and all intellectual property owned and/or controlled by Sneaky Games related to the transferred content.

(b) Sneaky Games and Concept Art House entered into a Game Development Agreement, dated 19 May 2011, for Sneaky Games to develop a new game called Vampire Hunter for Facebook. Sneaky Games is to pay Concept Art House 50 per cent. of adjusted game net revenue on a monthly basis. All funds received are to be split between the two as to 50 per cent. each post game launch. This agreement terminates on or around 19 May 2013 but includes options to renew.

(c) Sneaky Games entered into a Master Services Agreement with NBCUniversal Media, LLC, effective as of 29 June 2011 (as amended by the Amended and Restated Statement of Work No.1, made as of 17 October 2011), to develop a new game called Monster Island. NBCUniversal Media will split revenues received with Sneaky Games on tiered basis.

(d) Sneaky Games retains a line of credit (not to exceed US$35,000) with Prosperity Bank. Sneaky Games has not currently drawn down the line of credit.

## 12. Working capital

In the opinion of the Directors having made due and careful enquiry, taking into account the net proceeds of the Placing, the working capital available to the Company and the Enlarged Group will be sufficient for its present requirements, that is for at least 12 months from the date of Admission.

## 13. Related Party Transactions

Save as disclosed above at paragraph 7.9 of this Part 10, the Company has not entered into any related party transactions during the period covered by the historical financial information and up to the date of this document. Bond Capital is a related party by virtue of Mark Opzoomer's interest in that company.

## 14. Litigation

14.1 The Company is not and has not been involved in any governmental, legal or arbitration proceedings which may have or have had during the last 12 months preceding the date of this document, a significant effect on the financial position or profitability of the Company nor, so far as the Company is aware, are any such proceedings pending or threatened.

14.2 No member of the E5 Group is or has been involved in any governmental, legal or arbitration proceedings which may have or have had during the last 12 months preceding the date of this document, a significant effect on the financial position or profitability of E5 and/or the E5 Group, nor, so far as the Company is aware, are any such proceedings pending or threatened.

14.3 No member of the Hattrick Group is or has been involved in any governmental, legal or arbitration proceedings which may have or have had during the last 12 months preceding the date of this document, a significant effect on the financial position of profitability of Hattrick and/or the Hattrick Group nor, so far as the Company is aware, are any such proceedings pending or threatened.

14.4 No member of the Concept Art House Group is or has been involved in any governmental, legal or arbitration proceedings which may have or have had during the last 12 months preceding the date of this document, a significant effect on the financial position or profitability of Concept Art House and/or the Concept Art House Group nor, so far as the Company is aware, are any such proceedings pending or threatened.

14.5 Sneaky Games is not and has not been involved in any governmental, legal or arbitration proceedings which may have or have had during the last 12 months preceding the date of this document, a significant effect on the financial position or profitability of Sneaky Games nor, so far as the Company is aware, are any such proceedings pending or threatened.

**15. Consents**

15.1 Canaccord Genuity Limited of 88 Wood Street, London EC2V 7QR is authorised and regulated in the United Kingdom by the Financial Services Authority. Canaccord has given and has not withdrawn its written consent to the issue of this document with the inclusion of its name and the references to it in the form and context in which it appears.

15.2 BDO LLP, Chartered Accountants and Registered Auditors, of 2 City Place, Beehive Ring Road, Gatwick RH6 0PA, a member firm of the Institute of Chartered Accountants in England and Wales, have given and has not withdrawn their written consent to the inclusion in this document of their reports in Section A of Parts 3, 4, 5, 6 and 7 of this document and the references to such reports in the form and context in which they appear.

**16. Significant changes**

16.1 Except for the post balance sheet events disclosed in section B of Part 3 of this document, there has been no significant change in the financial or trading position of Zattikka since 16 November 2011, being the date of its incorporation.

16.2 Except for the post balance sheet events disclosed in section B of Part 4 of this document, there has been no significant change in the financial or trading position of the E5 Group since 30 September 2011, being the date of the interim financial statements set out in Part 8 of this document.

16.3 Except for the post balance sheet events disclosed in section B of Part 5 of this document, there has been no significant change in the financial or trading position of the Hattrick Group since 30 September 2011, being the date of the historical financial information set out in section B of Part 5 of this document.

16.4 Except for the post balance sheet events disclosed in section B of Part 6 of this document, there has been no significant change in the financial or trading position of the Concept Art House Group since 30 September 2011, being the date of the historical financial information set out in section B of Part 6 of this document.

16.5 Except for the post balance sheet events disclosed in section B of Part 7 of this document, there has been no significant change in the financial or trading position of Sneaky Games since 30 September 2011, being the date of the historical financial information set out in section B of Part 7 of this document.

**17. General**

17.1 The net proceeds of the Placing (assuming the Placing is fully subscribed) are expected to be approximately £9.5 million net of costs and expenses of the Placing and the Acquisitions which are estimated at £3.1 million, excluding VAT, and are payable by the Company.

17.2 Save as otherwise disclosed in this document, no person (excluding professional advisers otherwise disclosed in this document and trade suppliers) has received, directly or indirectly, within the 12 months preceding the date of this document 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 where these have 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.

17.3 Information in this document which has been sourced from third parties has been accurately reproduced and, so far as the Company is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

17.4 Save as disclosed in this document, the Directors are unaware of any exceptional factors which have influenced the Company's activities.

17.5 Save as disclosed in this document, the Directors are unaware of any environmental issues that may affect the Enlarged Group's utilisation of its tangible fixed assets.

17.6 Save as disclosed in this document, the Directors are unaware of any trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Enlarged Group's prospects for the current financial period ending 31 December 2012.

17.7 Save as disclosed in this document, there are no investments in progress and there are no future investments on which the Directors have already made firm commitments which are significant to the Group.

17.8 Save as disclosed in this document, the Directors believe that the Company is not dependent on patents or licences, industrial, commercial or financial contracts or new manufacturing processes which are material to the Company's business or profitability.

17.9 The Company has no employees at the date of this document.

17.10 The Ordinary Shares will also be subject to the compulsory acquisition procedures set out in sections 979 to 991 of the Act. Under section 979 of the Act, where an offeror makes a takeover offer and has, by virtue of acceptances of the offer, acquired or unconditionally contracted to acquire not less than 90 per cent. of the shares to which the offer relates and, in a case where the shares to which the offer relates are voting shares, not less than 90 per cent. of the voting rights carried by those shares, that offeror is entitled to compulsorily acquire the shares of any holder who has not accepted the offer on the terms of the offer.

17.11 Since the date of incorporation of the Company, there has been no takeover offer (within the meaning of Part 28 of the Act) for any Ordinary Shares.

17.12 The Company's current financial period is the 13 month period ending on 31 December 2012.

17.13 The auditors for Hattrick for the period covered by the information set out in Part 5 were Moore Stephens of PO Box 743, Suite 5, Watergardens 4, Waterpoint, Gibraltar.

**18. Availability of Admission Document**

Copies of this document will be available for inspection free of charge at the Company's registered office at Hanover House, 14 Hanover Square, London W1S 1HP during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) from the date of sending of this document until the date falling one month after the date of Admission.

Dated: 11 April 2012