Company No. 08754680

RIGHTSTER GROUP PLC

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 December 2015

For the year ended 31 December 2015

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COMPANY INFORMATION

For the year ended 31 December 2015

The board of Directors	Sir Robin Miller Ashley MacKenzie Richard Mansell Niall Dore John Barnett Mark Cranmer Patrick Walker
Company secretary	Niall Dore
Registered office	3rd Floor 1 Neal Street London WC2H 9QL
Auditors	Grant Thornton UK LLP Grant Thornton House Melton Street London NW1 2EP
Solicitors	Covington & Burling LLP 265 Strand London WC2R 1BH

Key Highlights

In 2015, the Group integrated the companies acquired in 2014 and began the process of implementing cost efficiencies. Further client wins have been added to the network and the Group continues to see encouraging growth across its net revenue and gross profit.

In Period

- Net Revenue has increased by 68% to £14.6 million (2014: £8.7 million), largely due to the acquired companies
- Gross Profit has risen by 56% to £6.1 million (2014: £3.9 million)
- Annualised cost savings of £8 million implemented
- EBITDA loss of £(13.6 million) in 2015 compared to £(15.3 million) in 2014
- Impairment charge to intangible assets of £36.0 million following a change in strategic direction and subsequent review of business model
- Cash outflow from operating activities has reduced by 48% to £8.3 million (2014: £16.0 million)
- New management and board changes were implemented on 16 November 2015 with the support of major shareholders, in order to strengthen the Group and deliver value to shareholders

Post Period

- With the backing of new and existing shareholders, the new management team successfully completed a £10 million fundraise (before expenses) on 6 January 2016 to execute their new strategic plan
- As part of the strategic plan, a restructuring was completed in Q1 2016 that will add a further £4 million of annualised cost savings
- Revenue growth on a significantly reduced cost base
- At the end of March 2016, the Group had £9.7 million in cash
- Based on unaudited numbers, the Group has experienced a 76% improvement in adjusted EBITDA* loss for the period Jan- Mar '16 compared to the same period in the prior year (currently at £(0.9 million) compared to £(3.7 million) for Jan – Mar '15)
- Management propose a rebranding and change of name to 'Brave Bison Group plc' ("Brave Bison")

*excludes exceptional items, restructuring costs and share-based payments

Chairman's Report

Turning a company around is not an easy task. Particularly when it means stemming a severe cash drain and, at the same time, devising a completely different strategy. But that is what your new team has taken on and credit should go to existing and new shareholders for backing us with £10m of new money.

What is required is energy, creativity and courage. Our team leader, Ashley MacKenzie and his right hand man, Richard Mansell, have those qualities together with a deep knowledge of the business we are in, stemming from their success at Base79 Limited, a company which Rightster found so attractive when acquired 18 months ago.

Perhaps too attractive because, short of their leadership, it could not provide the solution to the challenges facing the Group. A change of the Rightster CEO and CFO at the start of 2015 was not enough, despite growing revenue and gross margins, to sufficiently slow down the cash outflow, resulting in the Group undertaking a strategic review in the autumn of 2015. A variety of options were being considered by the then board, including a sale of the Group.

While the strategic review was taking place, Messrs MacKenzie and Mansell, motivated by the substantial shareholding both now held as a result of the second stage of the Base79 Limited earnout and concern over the Group's cashflow (given the Group had chosen to settle the remaining part of the earn-out in shares rather than cash), started planning their rescue bid. They invited me to join them with the prospect of becoming Chairman, if successful.

My business background is media, starting out as a local newspaper journalist, but largely with a company called EMAP which, with a group of highly talented people, we built from local newspapers into magazines, radio, business information and exhibitions. I was Chief Executive and, briefly Chairman. In the last 15 years I have been involved in a wider variety of media such as HMV, Channel 4 and the Racing Post. But mostly in small fast growth companies such as Digitalbox, Edge Performance VCT and Crash Media Group - all data or entertainment-related via online. As an angel investor in Base79 Limited, I became a Rightster shareholder last year.

Our approach to the major shareholders, proposing that we take over from the existing board and replace the Chief Executive Officer, was accepted and they gave their assurance that they would look favourably at supporting the fund raise set at £10 million. This they did and the money was raised on 6 January 2016. A new board was formed comprising me as Chairman, Ashley MacKenzie (Chief Executive Officer), Richard Mansell (Chief Operating Officer) and Mark Cranmer, formerly global executive director of Dentsu Aegis, was invited to join as a Non-Executive Director. Chief Financial Officer, Niall Dore, remained in post, as did Non-Executive Director, Jack Barnett. Patrick Walker (formerly Chief Executive Officer) moved to a role as Non-Executive Director.

A SWOT analysis on Rightster today would show more ticks in the left hand boxes (Strengths and Opportunities) than it would have done a year ago. But the right hand boxes (Weaknesses and Threats) still contain too many. There remains a huge amount of work to be done. The first 100 days have been focussed mainly on cost reduction and restructuring - we now employ less than half the people that were with the Group in 2014, partly through being in fewer territories. Less is more.

But that is not all. We have to steer a new course. It is said that change presents opportunity. Indeed it does and, in the media world, there has been more change in the last ten years than in the previous fifty. The model that served Base79 Limited well, delivering content for clients and agencies via digital channels such as YouTube, has attracted many competitors and squeezed margins.

What is emerging, driven by the huge growth of YouTube and the all-powerful Facebook parking their tanks on Google's lawn, is a new ability to deliver information and entertainment for so-called millennials via online, particularly mobile. This is their normal mode of communication, utilising video and commentary, which is fast replacing words and pictures in what is now becoming old-fashioned and declining print media.

We employ a lot of talented people but, now the restructuring phase is mostly over, our focus is making sure we have the right talent to take us into this new world of owner-operated channels. They will be invented by us, launched by us and the brand owned by us. It is challenging, slightly scary, but it is going to be huge and I am confident we have the leadership to deliver it.

Our current business is still very strong and will remain so for some time but for us to deliver extraordinary growth to shareholders and people who work with us, who we rely on and want to be proud of their company, this is the future. Let's get on with it.

Sir Robin Miller

Chairman, Rightster Group PLC.

CEO's Report

I love video. It is the driving force of communication in the connected age. As humans, we are biologically designed to focus on it as our preeminent medium. For this reason, I have chosen to dedicate my career to it, bringing great experiences to brands and consumers alike.

I founded Base79 Limited with this in mind. An unerring belief in where the consumer will go and inevitably where the advertiser must follow. Having founded Base79 Limited from my study in 2007, I thought I'd come to the natural end of the journey with the sale of my business to Rightster Group plc. However, the combination of a high share allocation from our earn-out and the collapsing Rightster share price made me and my family, once more, large shareholders in the business. As I considered the next business I would start, it became apparent to me that Rightster was a great platform - endowed with expertise, a truly international foot-print, amazing customers and capable technology – something which I could use for the next chapter of online video. To this end, supported by the major shareholders of the business, we returned with a new board, new plan and new funding. Our primary financial goal is to achieve profitability to stop the business being an on-going drain on shareholder funds.

Driven by grand ambitions but poor execution, Rightster has never been adept at doing simple things. We have come back with a basic three-pronged plan: (1) simplify the business, (2) focus on organic revenue growth by adding true value to our partners and (3) create new IP-rights allowing the Group to take ownership of content and intellectual property in the developing online video world. In a world increasingly dominated by huge technology platforms such as Facebook, SnapChat and YouTube, it is critical to have a defensible, scalable strategy creating long-term value for all stakeholders in our business.

We completed our new funding round on 6 January 2016 and simultaneously executed a restructuring. In conjunction with our new strategy we have reviewed the business model, resulting in an impairment charge to Non-current assets, more fully described in the Strategic Report. We closed several offices and rationalised a number of our teams into simpler groups. The actions taken are leading to better communication, improved delivery to our partners and better management through being closer to the coal-face, working day-to-day with content-owners, brands and our team to maximize the value we add. We are turning over every stone, encouraging our colleagues to take responsibility and running our company like it's our own money, because it is.

Outlook

Our recent restructuring was completed ahead of time and has led to an additional £4 million in annualised cost savings being achieved. Through our new strategy, we have created a platform for a viable online video business, which we look forward to moving to profitability. Current trading in 2016 is in line with management expectations. Based on unaudited numbers, we have already seen a 76% improvement in our adjusted EBITDA loss for the period Jan- Mar '16 compared to the same period in the prior year (currently at £(0.9 million) compared to £(3.7 million) for Jan – Mar '15).

The Company is entering a brave and exciting new chapter but Rightster is a company that has grown through acquisition and most of its people and customers were a result of those acquisitions. In line with our new strategy, it is time to change our name, change our brand position and challenge how we and our customers think of us. Our new name, Brave Bison, is a bold statement of intent to the marketplace and to content-makers. Brave Bison embodies the spirit and values, the attitude and energy, necessary for our company's essential next chapter. To maintain competitive advantage in a world that is always changing, the future online video business needs to commercialise audiences by succeeding across 'the full spectrum of content' - from managing existing to conceiving and producing fresh, exciting, original video. Having spent 22 years in the global media and advertising business, I can tell you there is no more important position for our company to be in. Subject to approval in the Annual General Meeting, we expect to start trading as Brave Bison Group plc on 10th May 2016.

I cannot end without mention of my colleagues. They have withstood a lot due to an historically ill-defined business model, an uncertain financial environment and three CEOs in ten months. For many, the journey has come to a natural end. For those joining us to write the next chapter, I thank you. Not because it's customary for a PLC CEO to write it in documents such as this but because I am humbled by your faith in the plan we are delivering together. There will be more change, no doubt, in the coming months and years but I am confident that we can adapt, learn and grow as we move forward.

Ashley MacKenzie

CEO, Rightster Group PLC

Strategic Report

Key Performance Indicators:

- Net Revenue has increased by 68% to £14.6 million (2014: £8.7 million), largely due to the acquired companies
- Gross Profit has risen by 56% to £6.1 million (2014: £3.9 million)
- Annualised cost savings of £8 million implemented
- EBITDA loss of £(13.6 million) in 2015 compared to £(15.3 million) in 2014
- Impairment charge to intangible assets of £36.0 million following a change in strategic direction and subsequent review of business model
- Cash outflow from operating activities has reduced by 48% to £8.3 million (2014: £16.0 million)
- Post-period financing of £10 million (pre-expenses) successfully completed on 6 January 2016

2015 was a year of transition for the Group. Having acquired Viral Management Limited and Base79 Limited in July and August 2014 respectively, we were keen to realise both cost and revenue synergies from these acquisitions. We began the process of streamlining the business. Although this will continue in 2016, we have already achieved substantial annualised cost savings. Significant deals have also been won this year as a result of our improved offering to brands.

Trading Results

Revenue rose from £8.7 million in 2014 to £14.6 million in 2015, a rise of 68%.

The Group continues to carry out the monetisation of online content which then sub-divides into three main underlying revenue streams, namely Advertising, Subscription and Theatrical.

Advertising revenue rose from £6.3 million to £12.9 million. This has been driven by an increase in high value brand deals, including Procter & Gamble, Universal Pictures International and United Airlines. Our ability to match popular talent (such as Jack Jones and Caroline et Safia) to relevant brands and successfully promote those campaigns across multiple platforms is proving a great selling point for attracting further brand deals.

Subscription revenues decreased, from £1.2 million to £0.9 million, due mainly to a terminated contract. The Group continues its long-term partnership with the Australian Football League which is performing well.

Theatrical revenues have decreased this year from £1.2 million to £0.8 million. Given the challenging market conditions in Europe, we have significantly reduced the cost base in relation to this revenue stream.

Our gross profit rose from £3.9 million in 2014 to £6.1 million in 2015, a 56% increase. This was below the rate of our revenue growth. In addition, the gross margin percentage reduced from 45% in 2014 to 42% in 2015. This was due in part to revenues not scaling from the investment in the technology platform as originally forecast. This has been addressed in the new strategy by significantly reducing technology investment. As a result, we anticipate that this will favourably impact the margin going forward.

The Group believes that EBITDA is an important key performance indicator going forward. It can be broken down as follows:

- Operating loss before adjusted items has decreased from £12.5 million in 2014 to £8.7 million in 2015, due to the growth previously described and a significant reduction in the cost base. The Group decided to close offices in Bangalore, Stockholm, Milan and Berlin and consolidate its development activities in London. As a result, the Group ended the year with 144 employees (including contractors) in nine offices in eight locations, compared to 278 employees (including contractors) in 13 offices in 11 locations at the end of the prior period. Overall, these actions resulted in annualised cost savings of approximately £8 million. The change in strategic direction, which will result from the new business model, will provide further cost savings in 2016 and accelerate our path to profitability; Restructuring costs have increased from £0.6 million to £1.6 million owing to the redundancies and associated legal costs.
- Exceptional items totalled £2.2 million which comprised acquisition-related items.
- The Group stock option charge for the year was £1.1 million. The Group will continue to use stock options as a means of incentivising and retaining key talent going forward.

Overall, EBITDA loss was £(13.6 million) in 2015 compared to £(15.3 million) in 2014.

The Loss before tax for the year was £54.4 million versus £18.8 million the year prior. This consists of the following main items:

- EBITDA as broken out above;
- Financing costs totalling £1.7 million (2014: £1.6 million). This relates to the discount on deferred consideration on the acquisitions made in the year and is a non-cash charge;
- Impairment charge of £36.0 million. The management team have adopted a new strategy which was supported by existing and new shareholders in a £10 million Placing (before expenses) on 6 January 2016. As part of the yearly review of goodwill, updated forecasts have been prepared based on the new business model, resulting in the impairment charge to Non-current Assets. As a result, the Group is carrying Intangible Assets of £19.1 million (2014: £56.5 million); and
- Depreciation and Amortisation of Tangible and Intangible Assets of £3.0 million (versus £2.0 million in 2014)

Acquisitions

Following on from the acquisitions of Base79 Limited and Viral Management Limited in 2014, the Group had remaining earn-out conditions which were satisfied as follows:

The Group satisfied the Base79 Limited earn-out in two tranches. The first tranche, settled on 4 August 2015, led to the Group allotting 137,908,172 new ordinary shares of 0.1 pence each in the Company in respect of £20.7 million of vendor consideration due. The remaining £3.6 million was settled on 17 November 2015 when the Group allotted 1,496,347 new ordinary shares of 0.1 pence each and granted options to acquire 22,147,062 new ordinary shares of 0.1 pence each in the Company.

In respect of the Viral Management Limited earn-out, the Group allotted 6,203,922 new ordinary shares of 0.1 pence each on 1 September 2015 to satisfy the £849,937.50 of vendor share consideration due. The remainder of the deferred consideration was satisfied by the aggregate payment of £849,937.50 in cash to the former shareholders.

Fundraising activity

The Group raised a round of finance during 2015, namely £5.02 million (with a further £0.4 million raised through a loan note subscription) on 26 May 2015. The net proceeds of the fundraising were to provide the Group with working capital to fund the continued operations and improvements of the business as well as to accelerate its growth.

Following the appointment of new management and a change of strategy, the Group has since raised a further tranche of funding, namely £10 million (before expenses), occurring post-period on 6 January 2016. The net proceeds of this Placing will allow the Group to invest in Owned and Operated Channels, enable the business to be restructured and provide working capital to fund the continued operations of, and improvements in the business.

Statement of Financial Position

Rightster is a growth business and cash flow is thus negative. Cash utilised by operating activities was reduced to £8.3 million in 2015 from £16.0 million in 2014. We anticipate that this will continue to improve as the Group accelerates its path to profitability under the new strategy.

The Group ended the year with £3.1 million in cash and cash equivalents and £0.3 million debt (2014: £8.5 million and no debt).

Intangible assets comprise goodwill and intangibles. As mentioned, the management team have adopted a new strategy which was supported by existing and new shareholders in a £10 million Placing (before expenses) on 6 January 2016. As part of the yearly review of goodwill, updated forecasts were prepared based on the new business model, resulting in the impairment charge of £36.0 million to Non-current Assets. The change has been allocated to goodwill in its entirety and the remainder across all Non-current Assets proportionately, based on NBV. As a result, the Group is carrying Intangible Assets of £19.1 million (2014: £56.5 million). The Group capitalised R&D spend of £1.4 million on the development of the technology platform. The Intangibles continue to be amortised over their useful lives.

Principal risks and uncertainties

The Group cannot be certain that it will achieve profitability

Any adverse events relating to the Group's business, or a significant delay in the introduction of anticipated new revenue streams, or a shortfall in such revenue streams in relation to the Group's expectations, would have an immediate adverse effect on the Group's business, operating results and financial condition. There can be no assurance that the Group will be able to introduce identified cost savings or become profitable in any future period. The Group is subject to the risks inherent in the operation of a small and evolving business. It may not be able to successfully address these risks.

Industry risk
The digital rights and media industry is relatively new and changing rapidly and, as such, it is difficult to predict the prospects for and direction of growth in the industry.

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

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

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

Retaining and motivating technical and managerial personnel is a critical component of the future success of the Group's business. The departure of any of the Group's relatively small number of executive officers or other key employees could have a negative impact on its operations. In the event that future departures of employees occur, the Group's ability to execute its business strategy successfully, or to continue to provide services to its customers and users or attract new customers and users, could be adversely affected. The performance of the Group depends, to a significant extent, upon the abilities and continued efforts of its senior management. The loss of the services of any of the key management personnel or the failure to retain key employees could adversely affect the Group's ability to maintain and/or improve its operating and financial performance.

Intellectual property risk
The Group's ability to compete effectively is highly dependent on its ability to protect its software, commercial offerings and trade secrets from unauthorised use. Rightster believes that it has taken appropriate measures to protect itself to date (including copyrights, trademarks, non-disclosure agreements etc.). However, the protection provided by these intellectual property rights, confidentiality and contractual restrictions is limited and varies between the UK and other countries. There can be no guarantee that these protections may be adequate to prevent competitors from taking commercial advantage of unauthorised disclosure of the Group's sensitive business information. Similarly, these protections may not prevent competitors from copying, reverse engineering or independently re-creating the Group's products, services and technologies to create similar offerings.

In addition, as the volume of content that the Group distributes increases, claims relating to ownership of content may increase. Any claims, regardless of their merit, could be expensive and time-consuming to defend.

Since its inception, the Group has prioritised protection of its Intellectual Property, primarily that generated by its staff. Robust employment contracts protect internally generated IP whilst commercial contracts as well as non-disclosure contracts protect the Group's IP from external parties. The Group does not sell or distribute its software, thereby making reverse engineering more difficult, because the Software as a Service nature of the Rightster.com platform means all customer activity utilises the same instance of the securely hosted platform.

Financial risk management
The Group's financial instruments comprise cash and liquid resources and various items, such as trade receivables and trade payables that arise directly from its operations. The main purpose of these financial

instruments is to raise finance for the Group's operations. The principal financial risks faced by the Group are liquidity, foreign currency and credit risks. The policies and strategies for managing these risks are summarised below.

Foreign currency risk
Transactional foreign currency exposures arise from both the export of services from the UK to overseas clients, and from the import of services directly sourced from overseas suppliers.

The Group is primarily exposed to foreign exchange in relation to movements in sterling against the US dollar, Euro and Indian rupee.

The Group does not use derivatives to hedge translation exposures. All gains and losses are recognised in the income statement on translation at the reporting date.

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

Liquidity / funding risk
The Group's funding strategy is to ensure a mix of funding sources offering flexibility and cost effectiveness to match the requirements of the Group. Operating subsidiaries are financed by the Group. The Group has been funded through a combination of equity and debt finance provided by the shareholders.

Environmental matters
As far as the directors of the Group are aware the Group's business does not cause an adverse impact on the environment.

Social, community and human rights issues
The Group has held internal fund-raising events amongst its employees throughout 2015 in order to raise money for the Make a Wish Foundation, Save the Children and We are MacMillan. A quiz night was also held and clothing and toiletries donated in order to help the refugee crisis.

Rightster has adopted a formal equal opportunities policy which is contained in its employee handbook. The aim of the policy is to ensure no job applicant, employee or worker is discriminated against either directly or indirectly on the grounds of race, sex, disability, sexual orientation, gender reassignment; marriage or civil partnership; pregnancy or maternity; religion or belief or age.

Employees
As of the 12 month period ended 2015, the Group employed 144 employees (including contractors) in nine offices in eight locations, 98 of which were male and 46 were female. As of the 12 month period ended 2015, of the nine senior members of management, one was female.

On behalf of the board

Niall Dore
Chief Financial Officer

Report of the Directors

The directors are pleased to present their report to shareholders and the audited financial statements for the year 2015.

Rightster Group plc was incorporated on 30 October 2013. On 11 November 2013 it acquired the whole of the shares in Rightster Limited (incorporated in May 2011) which had wholly owned subsidiaries in Gibraltar, Rightster (Gibraltar) Limited (incorporated in July 2012) and the USA, Rightster Inc. (incorporated in April 2012) and had established a limited liability partnership in India, Rightster LLP (incorporated in October 2012). On 7 July 2014, the Group acquired Viral Management Limited and on 1 August 2014, the Group completed the acquisition of Base79 Limited. Earn-out conditions for these two recent acquisitions were satisfied throughout 2015. The preparation of the Group's financial statements is in compliance with IFRS as adopted by the European Union and gives a true and fair view of the assets, liabilities, financial position and loss of the Group. The Group financial statements consolidate the financial statements of Rightster and its subsidiaries.

Principal activity and business model

The principal activity of the Group is creating and capturing advertising spend using its expertise in online video content and audience management.

Rightster aims to become a leading global player in online video content marketing with particular emphasis on social media talent. The Group brings together Content Owners, Creators, Brands and Publishers and helps them build and engage online audiences with optimal impact and efficiency. It enables clients to commercialise their content to audiences worldwide, utilising some of the most popular online video platforms, such as YouTube, Facebook and Twitter.

Results and dividends

The results for 2015 are set out in the consolidated income statement.

The directors do not propose payment of a dividend for 2015.

Review of the period

A comprehensive analysis of the Group's progress and development is set out in the Chairman's statement, CEO's statement and Strategic Report. This analysis includes comments on the position of the Group at the end of the financial period.

Significant events

As a result of the acquisitions of Viral Management Limited and Base79 Limited (on 7 July 2014 and 1 August 2014 respectively), Rightster had various earn-out provisions to satisfy throughout 2015.

As a result of Base79 Limited meeting its earn-out conditions, the Group satisfied this in two tranches. The first tranche, on 4 August 2015, led to the Company allotting 137,908,172 new ordinary shares of 0.1 pence each in the Company in respect of the approximately £20.7 million of vendor consideration due to the former shareholders of Base79 Limited. The remaining £3.6 million was settled on 17 November 2015 by the Group allotting 1,496,347 new ordinary shares of 0.1 pence each and granting options to acquire 22,147,062 new ordinary shares of 0.1 pence each in the Company. The Consideration Shares and Options were issued to satisfy the Company's contractual obligations to the former shareholders of Base79 Limited pursuant to the Acquisition Agreement entered into between the Company and such former shareholders on 8 July 2014.

As a result of Viral Management Limited ("VML") meeting key operational and strategic milestones since its acquisition, the earn-out conditions were satisfied. Accordingly, on 1 September 2015, Rightster allotted 6,203,922 new ordinary shares of 0.1 pence each in the Company to satisfy the £849,937.50 of vendor share consideration due to the former shareholders of VML. The remainder of this deferred consideration was satisfied by the aggregate payment of £849,937.50 in cash to the former shareholders.

The Group raised a round of finance during 2015, namely £5.02 million (with a further £0.4 million raised through a loan note subscription) on 26 May 2015. The net proceeds of the fundraising were to provide the Group with working capital to fund the continued operations and improvements of the business as well as to accelerate its growth.

Throughout the year, there were various changes to the management team and board. On 28 January 2015, Charlie Muirhead stepped down as CEO and was succeeded by Patrick Walker. Charlie Muirhead continued to be a director of the Company until 6 May 2015 and Patrick Walker was appointed as a director of Rightster Group plc on 29 April 2015. On 16 October 2015, with the support of the Company's major shareholders, it was resolved that, various management and board changes would take place. Patrick Walker, stepped down as CEO but continues to serve on the board as a Non-Executive Director. Mark Lieberman (Non-Executive Chairman), Michael Broughton (Non-Executive Director) and David Mathewson (Non-Executive Director) all stepped down from the board. Niall Dore (CFO) and Jack Barnett (Non-Executive Director) continued on the board in their current roles. Ashley MacKenzie, was appointed CEO and Richard Mansell was appointed as Chief Operating Officer. Sir Robin Miller, was appointed as Non-Executive Chairman and Mark Cranmer, was appointed as a Non-Executive Director.

Following the appointment of the new management and board, the Group has since raised a further tranche of funding, namely £10 million (before expenses) on 6 January 2016. The net proceeds of this fundraising will allow the Group to invest in Owned and Operated Channels, enable the business to be restructured and provide working capital to fund the continued operations of, and improvements in the business.

Significant shareholdings

As at 31 December 2015, the following persons held more than 3% of the issued shares in the capital of Rightster:

Shareholder	Number of Shares	% of Total Issued Share
Invesco Asset Management Limited	65,593,102	17.77%
Vesuvius Limited	56,014,648	15.17%
Woodford Investment Management LLP	43,905,556	11.89%
TCG LLC	31,610,503	8.56%
Ashley MacKenzie	20,959,543	5.68%
MMC GP Ltd	18,960,698	5.14%
Kelvin MacKenzie	12,797,766	3.47%
Mainspring Nominees (2) Ltd	12,347,679	3.34%
Richard Mansell	11,295,276	3.06%

The director's interests are shown in the remuneration report.

Related party transactions
Details of all related party transactions are set out in Note 25 to the Financial Statements.

Corporate governance
The Director's statement on Corporate Governance is set out on pages 17 to 20 and forms part of this report.

Going concern assessment
The consolidated financial statements have been prepared on the going concern basis on the assumption that the Group continues in operational existence for the foreseeable future. The Group made a loss of £52.3 million for 2015 (2014: loss of £18.0 million).

The Group's has achieved annualised cost savings of £8 million without materially affecting the Group's growth prospects. Most of the cost savings related to the closure of the Group's technology development operations in India and the consolidation of those activities in London as well as redundancies resulting from changes in the way that the Group's business is organised. The board now expects the Group's business to achieve cash flow break even in 2017.

The Directors have prepared detailed cash flow projections ("the Projections") which are based on their current expectations of trading prospects. The forecasts have been prepared over a period of 5 years. In order to fund the existing growth plans and working capital requirement the group required additional financing to meet its obligations. On 6 January 2016, the Group secured a further £10 million (before expenses) in additional funding to finance the new strategic plan of the new management team. Accordingly, the Directors have concluded that it is appropriate to continue to adopt the going concern basis in preparing these financial statements.

The directors are confident that the Group's revised forecasts are achievable, and are committed to taking any actions available to them to ensure that any shortfall in forecast revenues is mitigated by cost savings. Accordingly the going concern basis of accounting has been adopted in preparing these consolidated financial statements.

Future outlook
The board is confident of the Group's outlook for 2016. It believes that that the roll out of the new three-pronged strategic plan (which includes simplifying the business, focusing on organic revenue growth by adding true value to our partners and creating new IP-rights allowing the Group to take ownership of content and intellectual property in the developing online video world) will result in improved sales efforts, secure more revenue and accelerate the Group's path to profitability. The new management intend to transform the business from a third party technology provider to a business creating and capturing advertising spend, using its expertise in online video content and audience management. The directors believe this will enable Rightster to become a leading social video manager and producer with significant global reach amongst millenials as well as the younger generations.

Annual General Meeting
Rightster's Annual General Meeting is scheduled to take place on 9 May 2016.

Directors
The directors, who served during the year were as follows:

J A Barnett	Appointed 30 October 2013
N Dore	Appointed 5 January 2015
P Walker	Appointed 29 April 2015
A MacKenzie	Appointed 16 November 2015
R Mansell	Appointed 16 November 2015

Sir R Miller	Appointed 16 November 2015
M Cranmer	Appointed 16 November 2015
M Lieberman	Appointed 12 November 2013, ceased on 16 November 2015
D Mathewson	Appointed 12 November 2013, ceased on 16 November 2015
M Broughton	Appointed 12 November 2013, ceased on 16 November 2015
C S Muirhead	Appointed 30 October 2013, ceased on 6 May 2015

All 11 of the above directors are male.

Statement as to disclosure of information to auditors

So far as the Directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the Group's auditor is unaware, and each Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

Auditors

Grant Thornton UK LLP were reappointed as auditors on 26 May 2015 and, having expressed their willingness to continue in office, will be proposed for reappointment at the company's forthcoming Annual General Meeting in accordance with section 489 of the Companies Act 2006.

On behalf of the board

Niall Dore
Chief Financial Officer

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Strategic Report, the Report of the Directors and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial period. Under that law the Directors have prepared the Group financial statements in accordance with International Financial Reporting Standards IFRS as adopted by the European Union and elected to prepare the parent Group financial statements in accordance with the UK Generally Accepted Accounting Practice (UK accounting standards and applicable laws). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and group and of the profit or loss of the company and group for that period. In preparing these financial statements, the Directors are required to:

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

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

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Statement on Corporate Governance

As a company listed on AIM, Rightster Group plc ("Rightster") is not required to comply with the UK Corporate Governance Code. However, without undertaking voluntary compliance with the Code, we have reported on our corporate governance arrangements including those aspects of the UK Corporate Governance Code we consider to be relevant to the Group and best practice. The board is committed to the regular review of Rightster's governance structures, its practices and procedures and the composition and performance of the board itself to ensure the highest standard of corporate governance, having regard to available resources.

The statement set out below describes how the Group applies certain of the principles identified in the Code.

The Board constitution and procedures

As at 31 December 2015, the board comprised the Non-Executive Chairman, the Chief Executive Officer, the Chief Operating Officer, the Chief Financial Officer and two Non-Executive Directors. The board considers the Chairman to have been independent on his appointment and also considers Mr Cranmer to be independent.

Four of the Non-Executive Directors who served as directors throughout 2015 have served since the date of Rightster's admission to AIM. These were Mark Lieberman, David Mathewson, Michael Broughton and John Barnett. Mr Lieberman, Mr Mathewson and Mr Broughton stepped down from the board on 16 November 2015. Niall Dore was appointed on 5 January 2015 and has served as an Executive Director throughout the year. Patrick Walker was appointed on 28 January 2015 and served as Executive Director until 16 November 2015, following which he became a Non-Executive Director. In addition, on 16 November 2015, Ashley MacKenzie and Richard Mansell were appointed as Executive Directors and Sir Robin Miller and Mark Cranmer were appointed as Non-Executive Directors.

The Non-Executive Directors are all considered by the board to be independent of management and free of any relationship, which could materially interfere with the exercise of their independent judgment. Mr Cranmer is currently the senior independent Non-Executive Director.

Rightster's General Counsel also served as its Company Secretary until 9 September 2015. From 9 September 2015 onwards, Niall Dore was appointed as Company Secretary.

Board operation

The roles of the Chairman and the Chief Executive Officer are separated, clearly defined and their respective responsibilities are summarised below.

Chairman

The Chairman provides leadership to the board. He is responsible for setting the agenda for board meetings, ensuring that the board receives the information that it needs to properly participate in board meetings in a timely and user friendly fashion and that the board has sufficient time to discuss issues on the agenda.

Chief Executive Officer

The Chief Executive Officer is responsible for leadership of the Rightster's management and its employees on a day to day basis. In conjunction with senior management, he is responsible for the execution of strategy approved by the board and the implementation of board decisions.

How the Board functions

The board is collectively responsible for the long-term success of the Group. The board provides entrepreneurial leadership for Rightster within a framework of prudent and effective controls which enables risk to be assessed and managed. The board considers the management team's proposals for strategy and, following a consideration of those proposals, determines Rightster's strategy and ensures that the necessary resources are in place for management to execute that strategy. An important part of the board's role is the review of management performance.

The board met on 27 occasions during 2015. Board meetings are held at Rightster's registered office. Directors are provided with comprehensive background information for each meeting and all directors have been able to participate fully and on an informed basis in the board decisions. In addition, certain members of the senior management team are invited to attend the whole or parts of the meetings to deliver reports on the business. Any specific actions arising during meetings are agreed by the board and followed up and reviewed at subsequent board meetings to ensure their completion.

Responsibility and delegation

The board has specifically reserved a number of matters for its consideration and approval. These include:

- Overall leadership of Rightster and setting Rightster's values and standards
- Approval of Rightster's long-term objectives and commercial strategy
- Approval of the annual operating and capital expenditure budgets and any changes to them
- Major investments or capital projects
- The extension of Rightster's activities into any new business or geographic areas
- Any decision to cease any material operations
- Changes in Rightster's capital structure or management and control structure
- Approval of the annual report and accounts and preliminary and half-yearly financial statements
- Approval of treasury policies, including foreign currency exposures and use of financial derivatives
- Ensuring the maintenance of a sound system of internal control and risk management
- The entering into of agreements that are not in the ordinary course of business or material strategically or by reason of their size
- Changes to the size, composition or structure of the board and its committees

The board has delegated certain of its responsibilities to committees. These committees comprise the Audit Committee, the Remuneration Committee and the AIM Compliance Committee. The Terms of Reference for each of the committees are available to view on Rightster's website: www.rightster.com.

Board tenure

Under article 35.2 of Rightster's articles of association, John Barnett will retire by rotation and, being eligible, is offering himself for reappointment at Rightster's third AGM, to be held on 9 May 2016. Sir Robin Miller, Ashley MacKenzie, Mark Cranmer and Richard Mansell were all appointed by the Board of Directors of the Company. They are therefore retiring in accordance with article 30.2 of the Company's articles of association and, being eligible, are offering themselves for reappointment as Directors of Rightster Group plc at the AGM to be held on 9 May 2016.

The board has collectively agreed that the directors proposed for re-election have made significant contributions to the business and each has a key role to play in determining Rightster's future strategy.

Insurance and indemnity

In accordance with Article 54 of the Rightster's articles of association, Rightster's directors and officers are entitled to an indemnity from Rightster against liabilities incurred by them in the actual or purported exercise of their duties, or exercise of their powers including liability incurred in defending any proceedings (whether civil or criminal) which relate to anything done or omitted to be done and in which judgment is given in his favour, or in which he is acquitted, or which are otherwise disposed of.

In addition, Rightster has purchased and maintains directors' and officers' liability insurance cover against certain legal liabilities and costs for claims incurred in respect of any act or omission in the execution of their duties and which has been in place throughout the year.

Board balance

The board comprises individuals with wide business experience gained in various industry sectors related to Rightster's business and it is the intention of the board to ensure that the balance of the directors reflects the changing needs of that business. The board considers that it is of a size and has the balance of skills, knowledge, experience and independence that is appropriate for Rightster's business. While not having a specific policy regarding the constitution and balance of the board, potential new directors are considered on their own merits with regards to their skills, knowledge, experience and credentials. Female candidates or candidates from any particular ethnic or national background would each be considered equally.

The Non-Executive Directors contribute their considerable collective experience and wide-ranging skills to the board and provide a valuable independent perspective; where necessary constructively challenging proposals, policy and practices of executive management. In addition, they helped formulate Rightster's strategy.

Relationship with shareholders

Primary responsibility for effective communication with shareholders lies with the Chairman, but all Rightster's directors are available to meet with shareholders throughout the year. The Chief Executive Officer and Chief Financial Officer have been active in meeting with and preparing presentations for analysts and institutional investors. Rightster endeavours to answer all queries raised by shareholders promptly.

Rightster's largest shareholder is Woodford Investment Management Limited ("Woodford") which, as at the date of this report, held circa 19.88% of Rightster's issued share capital. Rightster, Woodford and Stockdale Securities Ltd (in its capacity as nominated adviser to Rightster for the purposes of the AIM Rules) have entered into a relationship agreement, to regulate their continuing relationship and ensure that any transactions between them are on arm's length terms and on a normal commercial basis.

Investor relations (IR) and communications

Rightster's Chief Executive Officer, Chief Financial Officer and members of Rightster's IR team have attended a number of industry conferences and regularly meet or are in contact with existing and potential institutional investors. Rightster's IR team provides regular reports to the board on related matters, issues of concern to investors, and analyst's views and opinions.

Whenever required, the Executive Directors and the Chairman communicate with Rightster's brokers to confirm shareholder sentiment and to consult on particular governance issues.

In the period since Rightster's admission to AIM, 50 regulatory announcements have been released (as at the date of this report) informing the market of the results of Rightster's first day of trading on AIM, new content deals in sports, news and celebrity entertainment and providing a trading update. Copies of these announcements, together with other IR information and documents, are available on Righter's website www.rightster.com.

Summary

In presenting this report, and having monitored, reviewed or approved all shareholder communications since the date of Rightster's admission to AIM, the board is confident that it has presented a balanced and understandable assessment of Rightster's position and prospects.

By order of the board

Niall Dore
Company Secretary
April 2016

Directors' Remuneration Report

The Remuneration Committee considers and evaluates remuneration arrangements for senior managers and other key employees and makes recommendations to the board. The purpose is to support the strategic aims of the business and shareholder interest, by enabling the recruitment, motivation and retention of key employees while complying with the requirements of regulatory and governance bodies.

The Committee's report, which is unaudited, except where indicated, is set out below.

The Committee

The Committee held eight meetings during the year, of which five were chaired by Mark Lieberman, who was a member of the Committee until 16 November 2015. The other members of the Committee at this time were David Mathewson and Jack Barnett. Following the board changes on 16 November 2015, a new Committee was formed with Sir Robin Miller appointed as Chairman. Mark Cranmer was also appointed to the Committee and Jack Barnett remained on the Committee. Three meetings were chaired by Sir Robin Miller during the year. The members of the Committee have no personal interest in the outcome of their decisions and give due regard to the interests of shareholders and to the continuing financial and commercial health of the business.

Remuneration policy

The policy of the board is to attract, retain and motivate the best managers by rewarding them with competitive compensation packages linked to the Group's financial and strategic objectives. The components of remuneration for Executive Directors currently comprise base salary, other fees, benefits, bonus and participation in the Group's Share Plan.

Base salary

The Group aims to provide salaries which are fair and reasonable in comparison with companies of a similar size, industry, complexity and international scope. When making salary determinations, the Committee takes into account not only competitive performance but also each executive's individual performance and overall contribution to the business during the year.

Annual bonus

Bonuses are currently based on performance against the Group's strategic and financial objectives and provides for an on-target bonus opportunity subject to the achievement of financial performance targets.

Service contracts

Charles Muirhead

Charles Muirhead entered into a service agreement with the Company on 11 November 2013. The terms of the agreement provide for, amongst other things, (i) salary of £180,000 per annum (amended to £240,000 per annum from 1 August 2014), payable in monthly instalments in arrears (such salary to be reviewed annually); (ii) termination upon 12 months' written notice by the Company; and (iii) surrender by Charles Muirhead of certain rights to intellectual property created or developed by Charles Muirhead whilst an employee of the Company. Charles Muirhead is also permitted (a) a bonus on a sliding scale of up to a maximum of 50 per cent of his base salary, upon achieving certain targets in respect of, inter alia, revenue, operating profit and total operating costs; and (b) a bonus up to a maximum of 50 per cent of his base salary if and to the extent that the remuneration committee (in its absolute discretion) agrees that the Shareholders' position has been materially improved by actions conducted. Charles Muirhead is also subject to certain restrictive covenants, which, among other things prevent him from using or disclosing confidential information otherwise than in the proper course of employment, soliciting or inducing any customers or suppliers of the Company, persuading or attempting to persuade any employee to terminate their employment with any member of the Group or being engaged, concerned or interested in any business which is in competition with the Group.

Charles Muirhead stepped down as CEO on 28 January 2015 and was succeeded by Patrick Walker. Mr Muirhead remained on the board until 6 May 2015.

Patrick Walker

Patrick Walker entered into a CEO service agreement with the Company with effect from 28 January 2015. The terms of the agreement provide for, amongst other things, (i) salary of £200,000 per annum (which was increased to £220,000 per annum from 1 July 2015 onwards), payable in monthly instalments in arrears (such salary to be reviewed annually) and; (ii) termination upon 12 months' written notice by the Company. Patrick Walker is also entitled to (a) a bonus on a sliding scale of up to a maximum of 50 per cent of his base salary, upon achieving certain targets in respect of, inter alia, revenue, operating profit and total operating costs; (b) a bonus up to a maximum of 50 per cent of his base salary if and to the extent that the remuneration committee (in its absolute discretion) agrees that the Shareholders' position has been materially improved by actions conducted; and (c) an additional bonus of up to £50,000 on the successful closing of a Placing. Patrick Walker is also subject to certain restrictive covenants, which, among other things prevent him from using or disclosing confidential information otherwise than in the proper course of employment, soliciting or inducing any customers or suppliers of the Company, persuading or attempting to persuade any employee to terminate their employment with any member of the Group or being engaged, concerned or interested in any business which is in competition with the Group.

Patrick Walker stepped down as CEO on 17 November 2015 and was succeeded by Ashley MacKenzie. Mr Walker remains on the board as a Non-Executive Director.

Niall Dore

Niall Dore entered into a service agreement with the Company on 15 December 2014 (and commenced work on 5 January 2015). The terms of the agreement provide for, amongst other things, (i) salary of £190,000 per annum, payable in monthly instalments in arrears (such salary to be reviewed annually); (ii) termination upon six months' written notice by the Company; and (iii) surrender by Niall Dore of certain rights to intellectual property created or developed by Niall Dore whilst an employee of the Company. Niall Dore is also entitled to a bonus on a sliding scale of up to a maximum of 50 per cent of his base salary, upon achieving certain targets in respect of, inter alia, net revenue, operating profit and total operating costs. Niall Dore is also subject to certain restrictive covenants, which, among other things prevent him from using or disclosing confidential information otherwise than in the proper course of employment, soliciting or inducing any customers or suppliers of the Company, persuading or attempting to persuade any employee to terminate their employment with any member of the Group or being engaged, concerned or interested in any business which is in competition with the Group.

Ashley MacKenzie

Ashley MacKenzie was appointed CEO and Director on 16 November 2015 and was paid £30,000 for his services in satisfaction of these roles during the period.

Richard Mansell

Richard Mansell was appointed COO and Director on 16 November 2015 and was paid £25,000 for his services in satisfaction of these roles during the period.

Non-Executive Director Appointment Letter

Each Non-Executive Director entered into a letter of appointment with the Company on substantially the same terms. Non-Executive Directors are paid fees and the Company shall reimburse their reasonable, authorised and properly documented expenses that are incurred in the performance of their duties. The initial term of appointment is four years, unless terminated earlier by either the Company or the Non-Executive Director giving the other one month's prior written notice. The Non-Executive Director may be removed as a Director at any time in accordance with the New Articles or the Companies Act (for example, by a valid resolution of the Shareholders). The Company may terminate the appointment immediately in certain circumstances, such as if a material breach of obligations is committed by the Non-Executive Director.

On 16 November 2015, Mark Lieberman (Non-Executive Chairman), Michael Broughton (Non-Executive Director) and David Mathewson (Non-Executive Director) stepped down from the board. John Barnett remained as a Non-Executive Director on the board. He was joined by Sir Robin Miller (Non-Executive Chairman) and Mark Cranmer (Non-Executive Director).

Sir Robin Miller was appointed as Chairman on 16 November 2015 and will be paid an annual fee of £55,000 per annum.

Mark Cranmer was appointed as Non-Executive Director on 16 November 2015 and will be paid an annual fee of £35,000 per annum.

Audited information

	Salary	Bonus	Aggregate Emoluments
	£	£	£
C S Muirhead	240,000	-	240,000
P Walker	210,000	50,000	260,000
N Dore	190,000	15,000	205,000
A MacKenzie	30,000	-	30,000
R Mansell	25,000	-	25,000

Non-Executive Directors

The Non-Executive Directors serve under Contracts, and have received fees in 2015, as detailed in the table below:

	Fees	Bonus	Aggregate Emoluments
	£	£	£
J Barnett	35,000	-	35,000
M Lieberman	98,077	-	98,077
D Mathewson	82,000	-	82,000
Sports Investment Partners LLP (M Broughton appointed as nominee)	135,000	-	135,000
R Miller	6,875	-	6,875
M Cranmer	4,375	-	4,375

Share options

Under the group's share option scheme that was introduced in September 2013, executives may be awarded shares. The vesting of the award is over four years from the date of grant.

The interests of the Executive Directors in Ordinary Shares subject to awards under this plan as at 31 December 2015 were as follows:

	Granted during the year	Exercised during the year	Lapsed in the year	Outstanding as at 31 December 2015	Exercise prices	Vesting Dates
C S Muirhead	-	-	-	4,000,000	£0.90 - £1.80	Nov 2015 - 2017
P Walker	3,814,347	-	-	4,714,347	£0.01 - £2.00	Aug 2014 - 2018

The interests of the Non-Executive Directors in Ordinary Shares subject to awards under this plan as at 31 December 2015, were as follows:

	Granted during the year	Exercised during the year	Lapsed in the year	Outstanding as at 31 December 2015	Exercise prices	Vesting Dates
M Lieberman	-	-	-	960,000	£0.075 - £1.00	Apr 2013 – 2017
D Mathewson	-	-	-	396,000	£0.32 - £0.60	Nov 2013 - 2018

Directors' interests

The interests of the Directors in the issued Ordinary Shares as at 31 December 2015 are as follows:

Director	Number of Ordinary Shares
A MacKenzie	20,959,543
R Mansell	11,295,276
R Miller	1,193,243
N Dore	166,666
P Walker	3,023,419

Other transactions that occurred with Directors during the year are detailed in note 25 of the accounts under Related Party Transactions.

Sir Robin Miller
Chairman of the Remuneration Committee

Independent auditor's report to the members of Rightster Group plc

We have audited the group financial statements of Rightster Group plc for 2015 which comprise the consolidated income statement and consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of cash flows, consolidated statement of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 16, the Directors are responsible for the preparation of the group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the group financial statements:

- give a true and fair view of the state of the group's affairs as at 31 December 2015 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where under the Companies Act 2006 we are required to report to you if, in our opinion:

- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Other matter

We have reported separately on the parent company financial statements of Rightster Group plc for 2015.

Mark Henshaw
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London

April 2016

For the year ended 31 December 2015

	Note	31 December 2015 £	31 December 2014 £
Total revenues including commission share		24,248,512	13,876,508
Less commission share		(9,694,194)	(5,172,100)
Revenue		**14,554,318**	**8,704,408**
Cost of sales		(8,446,322)	(4,777,729)
Gross profit		6,107,996	3,926,679
Research and development expenses		-	(1,015,387)
Administration expenses		(18,973,556)	(18,605,816)
Share of result in associates		-	807
Restructuring costs		(1,599,263)	(554,261)
Operating loss	7	(14,464,823)	(16,247,978)
Exceptional items	8	(2,225,859)	(991,688)
Impairment charge		(36,038,741)	-
Finance income		15,343	29,292
Finance costs	9	(1,713,439)	(1,558,572)
Loss before tax	7	(54,427,519)	(18,768,946)

Analysed as		
Operating loss before tax adjusted for exceptional items, non-cash and restructuring costs	(8,684,801)	(12,452,841)
Restructuring costs	(1,599,263)	(554,261)
Exceptional items	(2,225,859)	(991,688)
Equity settled share based payments	(1,137,920)	(1,272,002)
EBITDA	**(13,647,843)**	**(15,270,792)**
Finance costs	(1,713,439)	(1,558,572)
Finance income	15,343	29,292
Impairment Charge	(36,038,741)	-
Depreciation	(269,436)	(306,212)
Amortisation	(2,773,403)	(1,662,662)
Loss before tax	(54,427,519)	(18,768,946)

	Note	31 December 2015 £	31 December 2014 £
Income tax credit	10	2,130,512	723,874
Loss attributable to equity holders of the parent		(52,297,007)	(18,045,072)
Statement of Comprehensive Income			
Loss for the year		(52,297,007)	(18,045,072)
Items that may be reclassified subsequently to profit or loss			
Exchange loss on translation of foreign subsidiaries		(62,141)	(123,861)
Total comprehensive loss for the year attributable to owners of the parent		(52,359,148)	(18,168,933)
Loss per share (basic and diluted)			
Basic and diluted loss per ordinary share (pence)	11	19.4p	12.1p

All transactions arise from continuing operations.

As at 31 December 2015

	Note	At 31 December 2015 £	At 31 December 2014 £
Non-current assets			
Intangible assets	13	19,061,850	56,538,210
Property, plant and equipment	14	79,440	340,201
Deferred tax asset	15	-	103,863
		19,141,290	56,982,274
Current assets			
Trade and other receivables	16	7,444,963	7,117,330
Cash and cash equivalents		3,134,349	8,458,247
		10,579,312	15,575,577
Current liabilities			
Trade and other payables	17	(9,768,696)	(8,744,964)
Deferred consideration		-	(22,163,229)
Reorganisation provision		-	(214,047)
		(9,768,696)	(31,122,240)
Non-current Liabilities			
Borrowings and other financial liabilities	18	(334,300)	-
Deferred tax	15	(3,139,548)	(3,726,524)
		(3,473,848)	(3,726,524)
Net Assets		16,478,058	37,709,087
Equity			
Share capital	20	369,143	193,714
Share premium	20	69,226,658	64,470,509
Capital redemption reserve	20	6,660,000	6,660,000
Merger reserve		(24,059,625)	(24,059,625)
Convertible loan note	18	68,066	-
Merger relief reserve	20	62,624,450	41,009,443
Retained deficit		(98,198,124)	(50,414,585)
Translation reserve		(212,510)	(150,369)
Total equity		16,478,058	37,709,087

The financial statements on pages 27 to 61 were authorised for issue by the Board of Directors on ………
And were signed on its behalf by

. . . .

Director

For the year ended 31 December 2015

	12 Months ended 31 December 2015	12 Months ended 31 December 2014
Operating activities	£	£
Loss before tax	(54,427,519)	(18,768,946)
Adjustments :		
Depreciation, amortisation and impairment	39,081,580	1,968,874
Finance income	(15,343)	(29,292)
Finance costs	1,713,439	1,558,572
Share based payment charges	1,137,920	1,272,002
Increase in deferred consideration	1,732,449	-
Share of profit from associates	-	807
Profit arising on deemed disposal of associate	-	(743,736)
Deferred consideration classified as remuneration	365,754	362,938
(Increase) in trade and other receivables	(794,574)	(2,293,602)
Increase in trade and other payables	1,127,964	479,794
Movement in provisions	(214,047)	214,047
Tax received / (paid)	2,040,099	(38,477)
Cash outflow from operating activities	(8,252,278)	(16,017,019)
Investing activities		
Purchase of property plant and equipment	(12,675)	(89,685)
Purchase of intangible assets	(1,331,784)	(3,125,254)
Payment of deferred consideration	(849,939)	(152,665)
Purchase of subsidiary undertakings	-	(26,947,312)
Cash acquired with subsidiary undertakings	-	1,165,363
Loans to associates	-	100,000
Interest received	15,351	29,292
Cash outflow from investing activities	(2,179,047)	(29,020,261)
Cash flows from financing activities		
Interest paid	-	(8,218)
Issue of share capital	5,184,581	42,083,168
Share issue costs	(398,612)	(1,099,737)
Loan finance raised	383,599	-
Net cash inflow from financing	5,169,568	40,975,213
Net change in cash and cash equivalents	(5,261,757)	(4,062,067)
Movement in net cash		
Cash	8,458,247	12,719,074
Bank overdraft	-	(229,559)
Cash and cash equivalents, beginning of period	8,458,247	12,489,515
(Decrease) in cash and cash equivalents	(5,261,757)	(4,062,067)
Movement in foreign exchange	(62,141)	30,799
Cash and cash equivalents, end of period	3,134,349	8,458,247

For the year ended 31 December 2015

	Share capital £	Share premium £	Deferred share capital £	Capital redemption Reserve £	Convertible Loan Note £	Merger Reserve £	Merger relief Reserve £	Translation Reserve £	Retained earnings £	**Total Equity £**
At 31 December 2013	116,372	23,563,470	6,660,000	-	-	(24,059,625)	40,410,393	(26,508)	(33,641,515)	13,022,587
Shares issued during the year	77,342	42,006,776	-	-	-	-	599,050	-	-	42,683,168
Share issue costs	-	(1,099,737)	-	-	-	-	-	-	-	(1,099,737)
Equity settled share based payments	-	-	-	-	-	-	-	-	1,272,002	1,272,002
Repurchased during the year	-	-	(6,660,000)	6,660,000	-	-	-	-	-	-
Transactions with owners	77,342	40,907,039	(6,660,000)	6,660,000	-	-	599,050	-	1,272,002	42,855,433
Other Comprehensive income										
Loss and total comprehensive income for the period	-	-	-	-	-	-	-	(123,861)	(18,045,072)	(18,168,933)
At 31 December 2014	193,714	64,470,509	-	6,660,000	-	(24,059,625)	41,009,443	(150,369)	(50,414,585)	37,709,087
Shares issued during the year	175,429	5,159,720	-	-	-	-	21,615,007	-	-	26,950,156
Share issue costs	-	(403,571)	-	-	-	-	-	-	-	(403,571)
Equity settled share based payments	-	-	-	-	-	-	-	-	4,513,468	4,513,468
Issue of convertible loan notes	-	-	-	-	68,066	-	-	-	-	68,066
Transactions with owners	175,429	4,756,149	-	-	68,066	-	21,615,007	-	4,513,468	31,128,119
Other Comprehensive income										
Loss and total comprehensive income for the period	-	-	-	-	-	-	-	(62,141)	(52,297,007)	(52,359,148)
At 31 December 2015	369,143	69,226,658	-	6,660,000	68,066	(24,059,625)	62,624,450	(212,510)	(98,198,124)	16,478,058

1 Rightster

Rightster Group plc ("the Company") was incorporated in England and Wales on 30 October 2013 under the Companies Act 2006 (registration number 08754680) and its registered address is 3rd Floor, 1 Neal Street, London, WC2H 9QL. On 12 November 2013 the Company entered into share exchange agreements to acquire 100% of the issued share capital of Rightster Limited, a company incorporated in England and Wales on 16 May 2011 and registered at the same address. On 12 November 2013 the Company was admitted to the Alternative Investment Market (AIM) where its ordinary shares are traded.

The consolidated financial statements of the group for the year ended 31 December 2015 comprise the Company and its subsidiaries (together referred to as the "Group"). The Group provides an online video distribution and marketing network, providing rights holders, online publishers and advertisers with the tools and expertise required to engage audiences and optimize digital revenues. The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chairman's Report on pages 3 to 4, in addition, note 23 to the financial statements includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and its exposure to credit risk and liquidity risk.

2 Basis of preparation

2.1. Going Concern

The financial statements have been prepared on a going concern basis, which assumes that the Group will be able to meet its liabilities as they fall due for the foreseeable future. The Group is dependent for its working capital requirements on cash generated from operations, cash holdings and from equity markets. The cash holdings of the Group at 31 December 2015 were £3,134,349.

The Group made a loss of £52,297,007 for the year ended 31 December 2015 (2014: £18,045,072).

The Directors have prepared detailed cash flow projections ("the Projections") which are based on their current expectations of trading prospects. The forecasts have been prepared over a period of 5 years. In order to fund the existing growth plans and working capital requirement the group required additional financing to meet its obligations. On 6 January 2016, the Group secured a further £10 million (before expenses) in additional funding to finance the new strategic plan of the new management team. Accordingly, the Directors have concluded that it is appropriate to continue to adopt the going concern basis in preparing these financial statements.

2.2. Basis of consolidation

The consolidated financial statements consolidate the financial statements of Rightster Group plc and all its subsidiary undertakings up to 31 December 2015, with comparative information presented for the year ended 31 December 2014. No profit and loss account is presented for Rightster Group plc as permitted by section 408 of the Companies Act 2006.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group.

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

Entities other than subsidiaries or joint ventures, in which the Group has a participating interest and over whose operating and financial policies the Group exercises significant influence, are treated as associates. The results of associate undertakings are consolidated under the equity method of accounting. The Group applies uniform accounting policies and any profits or losses arising on intra-group transactions have been eliminated.

2.3. Adoption of new and revised standards

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

- Accounting for acquisition of interest in joint Operations (Amendments to IFRS11) (effective 1 January 2016)
- Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38 (effective 1 January 2016)

3 Statement of compliance

The financial statements have been prepared in accordance with the accounting policies and presentation required by International Financial Reporting Standards (IFRS), and International Financial Reporting Interpretations Committee ("IFRIC") Interpretations as endorsed by the European Union. They are presented in pounds sterling. The financial statements have also been prepared in accordance with those parts of the Companies Act 2006 that are relevant to companies that prepare financial statements in accordance with IFRS.

4 Summary of accounting policies

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

4.1. Basis of consolidation

The Group financial statements consolidate those of the parent company and all of its subsidiary undertakings drawn up to 31 December 2015. Subsidiaries are all entities over which the Group has the power to control the financial and operating policies and is exposed to or has rights over variable returns from its involvements with the investee and has the power to affect returns. Rightster Group plc obtains and exercises control through more than half of the voting rights for all its subsidiaries. All subsidiaries have a reporting date of 31 December and are consolidated from the acquisition date, which is the date from which control passes to Rightster Group plc.

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

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

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

4.2. Investments in associates

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

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

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

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

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

4.3. Revenue

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business, net of discounts and sales related taxes. Revenue is recognised when the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity, the costs incurred or to be incurred can be measured reliably, and when the criteria for each of the Group's different activities has been met.

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

Rightster's fee is a revenue share in the transaction, which is either a share of the gross receipts or a share of the net amount accruing to the rights holder (in this instance, Publishers fees are taken off first). The Publisher fee is set by the Rights Holder, either by way of a maximum percentage payable, or by the setting of a fixed percentage payable. In the former case, where the publisher agrees a lower fee, the benefit of this lower fee is passed on to the Rights Holder i.e. Rightster does not retain the full value of the lower fee but passes the value to the Rights Holder.

Save for the instances, detailed below, where the Company agrees a minimum fee to the Rights Holder, the Company does not guarantee a level of revenue that will be generated by the Rights Holder. In addition it does not modify or alter the video received from the Rights Holder other than what is required for the fulfilment of the contractual obligations agreed with the customer (such as encoding).

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

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

The determination of whether revenue should be reported on a gross or net basis is based on an assessment of whether the Company is acting as the principal or an agent in the transaction. If the Company is acting as a principal in a transaction, the Company reports revenue on a gross basis. If the Company is acting as an agent in a transaction, the Company reports revenue on a net basis. The determination of whether the Company is acting as a principal or an agent in a transaction involves judgment and is based on an evaluation of the terms of an arrangement.

The Company serves as the principal in transactions in which it has substantial risks and rewards of ownership. In the context of Rightster's business we take this to be where we have agreed a "buy out" of content which means the Company acts as the principal and pays a fixed fee to the rights holder but then retains all revenues associated with the monetisation of the rights. Both risk and reward are hence taken on by Rightster.

The Company may also agree a Revenue Advance or a Minimum Revenue Guarantee ("MRG"), coupled in both cases with a revenue share. A deal would only be agreed where the revenues forecast from the deal are likely to be in excess of the Advance or MRG. In this case the rewards do not wholly accrue to Rightster as the customer would also receive higher revenue in excess of the Advance or MRG if achieved. We account for these deals as principle.

For contracts where an agent relationship exists, the aggregate revenue received by the Group is presented as total revenues including commission share. The net revenue, which is presented as revenue, represents total revenues including commission share less revenue shares payable to publishers and content owners.

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

License fees
License fees are recognised over the period of the licensing agreement in line with the work performed on the contract.

The licensing of viral video content is recognised when an agreement has been reached with the customer for use of the clip and the clip has been made available to the customer.

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

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

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

Theatrical
Theatrical revenue relates to the placement and distribution of theatrical trailers in the film industry. Revenue is recognised when delivery is made and the risk has passed to the buyer.

4.4. Interest and dividend income

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

4.5. Foreign currency translation

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

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

The assets and liabilities in the financial statements of foreign subsidiaries and related goodwill are translated at the rate of exchange ruling at the balance sheet date. Income and expenses are translated at the actual rate on the date of transaction. The exchange differences arising from the retranslation of the opening net investment in subsidiaries and on income and expenses during the year are recognised in other comprehensive income and taken to the “translation reserve” in equity. On disposal of a foreign operation the cumulative translation differences (including, if applicable, gains and losses on related hedges) are transferred to the income statement as part of the gain or loss on disposal.

4.6. Segment reporting

IFRS 8 requires operating segments to be identified on the same basis as is used internally for the review of performance and allocation of resources by the Group Chief Executive (chief operating decision maker – CODM).

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

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

4.7. Leasing

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

4.8. Property, plant and equipment

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

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

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

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

4.9. Impairment of property, plant and equipment

At each balance sheet date, the Group reviews the carrying amounts of its property, plant and equipment to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.
Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

4.10. Intangible assets

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

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

- Customer relationships: 5 – 10 years
- Technology: 1 – 5 years
- Brand: 3 years
- Software: 3 years

4.11. Impairment of intangible assets

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

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss. Impairments are charged to goodwill first and then on a pro-rata basis across fixed assets once goodwill has been reduced to Nil.

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

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

4.12. Development costs

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

- Completion of the asset is technically feasible so that it will be available for use or sale
- The group intends to complete the asset and use or sell it

- The group has the ability to use or sell the asset and the asset will generate probable future economic benefits (over and above cost)
- There are adequate technical, financial and other resources to complete the development and to use or sell the asset, and
- The expenditure attributable to the asset during its development can be measured reliably.

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

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

4.13. Taxation

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

Current tax

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

Deferred tax

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be recognised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.
Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries except where the group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to recognise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset recognised based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

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

4.14. Financial Instruments

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

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

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

Financial liability instruments
Deferred consideration is measured at fair value discounted using the groups average cost of capital.

Contingent consideration is determined using a combination of management forecasts and projections for relevant scenarios in order to estimate the most likely outcome for a given transaction.

4.15. Equity, reserves and dividend payments

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

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

Retained earnings include all current and prior period retained profits or losses. It also includes credits arising from share based payment charges.

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

Merger reserve – where group reconstruction accounting is applied the difference between the cost of investment and the nominal value of the share capital acquired is recognised in a merger reserve.

Merger relief reserve – where the following conditions are met any excess consideration received over the nominal value of the shares issued is recognised in the merger relief reserve:

- the consideration for shares in another company includes issued shares;
- on completion of the transaction, the company issuing the shares will have secured at least a 90% equity holding in the other company.

Deferred share capital represents the nominal value of the deferred shares that have been issued

Where the company purchases its own equity share capital, on cancellation the nominal value of the shares cancelled is deducted from share capital and the amount is transferred to the capital redemption reserve.

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

4.16. Convertible loan note

Compound financial instruments issued by the Company comprise convertible loan notes that can be converted to share capital at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value. The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition except on conversion or expiry. Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period. On conversion of the compound instrument to equity, the shares are issued by the company in line with the terms of the instrument agreement. Any difference between the nominal value of the shares issued and the conversion price is credited to the share premium account.

4.17. Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, together with other short-term highly liquid investments that are readily convertible into known amounts of cash having maturities of 3 months or less from inception and which are subject to an insignificant risk of change in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

4.18. Employee benefits

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

4.19. Share based payments

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

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

4.20. Settlement discounts

Where discounts are negotiated for early settlement of liabilities these are recognised within the income statement.

4.21. Exceptional items

The Group separately discloses items which it determines are non-recurring exceptional items. These are non-recurring items or items that are material and unrelated to the principal operating activities of the Group and the normal working capital financing of the Group.

5 Critical accounting judgements and key sources of estimation uncertainty

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

5.1. Critical accounting judgements

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

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

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

Development costs
Development costs incurred on specific projects are capitalised when certain conditions are satisfied. Careful judgement by the Directors has been applied when deciding whether the recognition requirements for development costs are met. Judgements are based on the information available at the time of incurring the costs.

Development of multichannel network for the Arts
Rightster has entered into an agreement to develop a Multichannel Network for the Arts. Rightster provides channel management activities to the client based on an agreed schedule of expenditure and mark up. The income from this agreement relates to channel management activities which are in line with the ordinary activities of the company. As such, the income is treated as revenue under IAS18 and does not fall within the scope of IAS20.

Treatment of revenue as agent or principal
The determination of whether the Company is acting as a principal or an agent in a transaction involves judgment and is based on an evaluation of the terms of an arrangement. The Company serves as the principal in transactions in which it has substantial risks and rewards of ownership. The difference in treatment between principal and agent will impact gross and net revenue and cost of sales.

5.2. Estimates

Share based payment charges

The group is required to measure the fair value of its share based payments. The fair value is determined using the Black-Scholes method which requires assumptions regarding exchange rate volatility, the risk free rate, share price volatility and the expected life of the share based payment. Exchange rate volatility is calculated using historic data over the past three years. The volatility of the company's share price has been calculated as the average of similar listed companies over the preceding periods. The risk-free rate used is 2.74% and management, including the Directors, have estimated the expected life of most share based payments to be 4 years.

Bad debt provision

Recoverability of some receivables may be doubtful although not definitely irrecoverable. Where management feel recoverability is in doubt an appropriate provision is made for the possibility that the amounts may not be recovered in full. Provisions are made using past experience however subjectivity is involved when assessing the level of provision required.

6 Segment reporting

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

As a result only the geographic reporting of turnover analysis has been included in this note. One customer accounted for £3.1m or 21.4% of total revenue.

Geographic reporting
Rightster has identified four geographic areas (UK, United States of America, Europe and rest of the world) and the information is presented based on the customers' location.

	2015	2014
	£	£
Revenue		
United Kingdom & Ireland	12,264,485	6,613,570
United States of America	4,220,930	2,070,154
Europe	3,405,305	2,786,297
Rest of the world	4,357,792	2,406,487
Total Revenues including commission share	**24,248,512**	**13,876,508**
Less commission share	(9,694,194)	(5,172,100)
Revenue	**14,554,318**	**8,704,408**
Cost of sales	(8,446,322)	(4,777,729)
Gross profit	6,107,996	3,926,679
Administration	(20,572,819)	(20,175,464)
Share of result in associates	-	807
Operating loss	(14,464,823)	(16,247,978)

The Group identified three revenue streams, Advertising, Subscriptions and Theatrical. The analysis of revenue by each stream is detailed below.

	2015	2014
	£	£
Advertising	12,912,272	6,336,737
Subscriptions	876,788	1,211,846
Theatrical	765,258	1,155,825
	14,554,318	8,704,408

7 Operating loss and loss before taxation

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

	2015	2014
	£	£
Auditor's remuneration:		
- Audit services	94,000	100,000
- Tax advisory services	24,367	38,250
- Other services	12,000	1,500
Operating lease rentals – land and buildings	1,423,888	1,124,375
Depreciation: property, plant and equipment	269,436	306,212
Impairment of intangible assets	36,038,741	-
Amortisation	2,773,403	1,662,662
Foreign exchange loss	229,712	122,463

8 Exceptional items

	2015	2014
	£	£
Acquisition costs	493,410	1,628,274
Increase in deferred consideration payable	1,732,449	-
Aborted acquisition costs	-	105,032
Other	-	2,118
Profit on acquisition	-	(743,736)
	2,225,859	991,688

9 Finance costs

	2015	2014
	£	£
Interest payable	18,767	8,218
Unwinding of discount on deferred consideration	1,694,672	1,550,354
	1,713,439	1,558,572

10 Tax expense

Major components of tax credit:

	2015	2014
	£	£
Current tax:		
UK corporation tax at 20.25% (2014: 21.5%)	(1,647,399)	(467,000)
Foreign Tax		
Overseas tax	-	86,226
Total current tax	(1,647,399)	(380,774)
Deferred Tax:		
Originations and reversal of temporary differences	(483,113)	(343,100)
Tax credit on loss on ordinary activities	(2,130,512)	(723,874)

UK corporation tax is calculated at 20.25% (2014: 21.5%) of the estimated assessable loss for the year. Taxation for other jurisdictions is calculated at the rates prevailing in those jurisdictions.

The credit for the year can be reconciled to the loss per the income statement as follows:

Reconciliation of effective tax rate:

	2015	2014
	£	£
Loss on ordinary activities before tax	(54,427,519)	(18,768,946)
Income tax using the Company's domestic tax rate 20.25% (2014: 21.5%)	(11,021,573)	(4,035,324)
Effect of:		
Expenses not deductible for tax purposes	1,199,795	177,638
Amortisation and impairment of intangible assets	7,774,222	361,629
Overseas subsidiaries taxed at different rates	-	86,236
Difference in capital allowances & depreciation/amortisation	179,283	13,909
Tax credit on research and development	(1,589,771)	(467,000)
Unutilised tax losses carried forward	1,327,532	3,139,038
Total tax credit for period	(2,130,512)	(723,874)

11 Loss per share

Both the basic and diluted loss per share have been calculated using the loss after tax attributable to shareholders of Rightster Group plc as the numerator, i.e. no adjustments to losses were necessary in 2014 or 2015. The calculation of the basic loss per share is based on the loss attributable to ordinary shareholders divided by the weighted average number of shares in issue during the year. All share options and warrants have been excluded when calculating the diluted EPS as they were antidilutive.

	2015	2014
	£	£
Loss for the year attributable to ordinary shareholders	(52,297,007)	(18,045,072)
Research and development costs charged to income	-	1,015,387
Equity settled share based payments	1,137,920	1,272,002
Amortisation, depreciation and impairment	39,081,580	1,968,874
Adjusted loss for the period attributable to the equity shareholders	(12,077,507)	(13,788,809)
Weighted average number of ordinary shares	270,181,450	149,285,293
Basic and diluted loss per ordinary share (pence)	19.4p	12.1p
Adjusted basic and diluted loss per ordinary share (pence)	4.5p	9.2p

On 7 January 2016 the group issued a further 200,000,000 £0.001 shares at £0.05 per share.

12 Directors and employees

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

	2015 Number	2014 Number
Finance and Administration	24	24
Technology and solution delivery	136	90
Sales, account management & audience development	38	88
	198	202

The aggregate cost of these employees was:

	2015 £	2014 £
Wages and salaries	7,428,635	10,347,917
Payroll taxes	1,234,504	1,082,755
Pension contributions	179,939	208,357
	8,843,078	11,639,029

Directors emoluments paid during the period and included in the above figures were:

	2015 £	2014 £
Emoluments	1,121,327	875,668

The highest paid Director received emoluments totalling £260,000 (2014:£ 305,000). The amount of share based payments charge (see Note 21) which relates to the Directors was £317,413 (2014:£313,715). Key management of the Group are the executive members of Rightster Group plc's Board of Directors. Key management personnel remuneration includes the following expenses:

	2015 £	2014 £
Salaries including bonuses	705,000	815,333
Social security costs	97,390	60,336
Pensions	-	2,760
Emoluments	802,390	878,429

13 Intangible assets

	Goodwill £	Software £	Technology £	Brands £	Customer Relation-ships £	Total £
Cost						
At 31 December 2013	1,865,643	250,000	756,344	-	405,334	3,277,321
Additions -	-		3,125,254	-		3,125,254
Acquired with subsidiary	33,696,767	-	-	272,666	18,926,715	52,896,148
Disposals	(487,374)	(250,000)	-	-	-	(737,374)
At 31 December 2014	35,075,036	-	3,881,598	272,666	19,332,049	58,561,349
Additions	-	-	1,331,784	-	-	1,331,784
At 31 December 2015	35,075,036	-	5,213,382	272,666	19,332,049	59,893,133
Amortisation						
At 31 December 2013	-	250,000	303,619	-	56,858	610,477
Charge for the year	-	-	730,091	38,968	893,603	1,662,662
Disposals	-	(250,000)	-	-	-	(250,000)
At 31 December 2014	-	-	1,033,710	38,968	950,461	2,023,139
Charge for the year	-	-	708,775	90,889	1,973,739	2,773,403
Impairment charge	35,075,036	-	166,373	6,845	786,487	36,034,741
At 31 December 2015	35,075,036	-	1,908,858	136,702	3,710,687	40,831,283
Net Book Value						
At 31 December 2013	1,865,643	-	452,725	-	348,476	2,666,844
At 31 December 2014	35,075,036	-	2,847,888	233,698	18,381,588	56,538,210
At 31 December 2015	-	-	3,304,524	135,964	15,621,362	19,061,850

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

As at 31 December 2015 goodwill has been assessed for impairment at the Group level as revenues are generated from a single cash generating unit, the monetisation of online content. This represents the lowest level at which the goodwill is monitored for internal management purposes.

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

13 Intangible assets – continued

As at 31 December 2015, goodwill and other intangible assets were assessed for impairment, the newly appointed management team having adopted a new strategy which has resulted in a change of business model. Updated forecasts and assumptions have been prepared using the new business model behind the strategy which has resulted in an impairment charge of £36,038,741.

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

Whilst the Directors are satisfied that the projections are reasonable and prudent, they recognise that the underlying assumptions require judgement and estimation to forecast future income. Based on sensitivities a fall in projected gross margin of 5% would give rise to a further impairment of £5.22 million.

14 Property, plant and equipment

	Computer Equipment £	Fixtures & fittings £	Total £
At 31 December 2013	738,928	26,091	765,019
Acquired with subsidiaries	98,013	21,917	119,930
Additions	63,894	25,791	89,685
At 31 December 2014	900,835	73,799	974,634
Additions	12,675	-	12,675
Disposals	(99,386)	(30,676)	(130,062)
At 31 December 2015	814,124	43,123	857,247
Depreciation and impairment			
At 31 December 2013	317,633	10,588	328,221
Charge for the year	282,410	23,802	306,212
At 31 December 2014	600,043	34,390	634,433
Charge for the year	239,929	29,507	269,436
Disposals	(99,386)	(30,676)	(130,062)
Impairment charge	3,525	475	4,000
At 31 December 2015	744,111	33,696	777,807
Net Book Value			
At 31 December 2013	421,295	15,503	436,798
At 31 December 2014	300,792	39,409	340,201
At 31 December 2015	70,013	9,427	79,440

15 Deferred taxation assets and liabilities

Deferred tax recognised:

	2015	2014
	£	£
Deferred tax assets		
Difference in depreciation and capital allowances	-	29,098
Deferred tax on intangible assets	-	74,765
Deferred tax liabilities		
Deferred tax on intangible assets	(3,139,548)	(3,726,524)
	(3,139,548)	(3,622,661)

Unutilised tax losses carried forward which have not been recognised as a deferred tax asset at 31 December 2015 were £52,268,565 (2014:£39,770,082)

Reconciliation of movement in deferred tax

	Deferred tax on intangible assets	Depreciation in excess of capital allowances	Total
	£	£	£
As at 31 December 2013	(107,164)	29,097	(78,067)
Acquired on acquisition	(3,887,694)	-	(3,887,694)
Recognised in the income statement	372,197	(29,097)	343,100
As at 31 December 2014	(3,622,661)	-	(3,622,661)
Recognised in the income statement	483,113	-	483,113
As at 31 December 2015	(3,139,548)	-	(3,139,548)

16 Trade and other receivables

	2015	2014
	£	£
Trade receivables	3,022,377	3,714,511
Less provision for impairment	(145,280)	(196,609)
Net trade receivables	2,877,097	3,517,902
Accrued income	3,191,175	2,173,391
Other receivables	1,376,691	1,426,037
	7,444,963	7,117,330

16 Trade and other receivables – continued

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

The movement in provision for impairment of trade receivables can be reconciled as follows:

	2015	2014
	£	£
Opening provision	(196,609)	(262,633)
Receivables provided for during period	(126,184)	-
Reversal of previous provisions	177,513	65,000
Movement in foreign exchange	-	1,024
	(145,280)	(196,609)

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

	2015	2014
	£	£
Not more than three months	1,698,572	1,074,648
More than three months but not more than six months	358,066	182,394
More than six months but not more than one year	373,875	10,909
More than one year	95,862	19,096
	2,526,375	1,287,047

17 Trade and other payables

	2015	2014
	£	£
Trade payables	1,907,267	2,084,469
Other payables	323,891	173,299
Other taxation and social security	166,298	423,885
Deferred income	215,415	29,167
Accruals	7,155,825	6,034,144
	9,768,696	8,744,964

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

The average credit period taken for trade purchases was 73 days (2014 – 59 days).

18 Borrowings and other financial liabilities

	2015	2014
	£	£
Debt element of convertible loan notes	334,300	-
	334,300	-

On 14 August 2015, the Group issued £383,599 of unsecured convertible loan notes. Interest of 5% is payable on conversion and the loans are repayable on 14 August June 2017. The principle sum outstanding is convertible into new ordinary shares of the company at a conversion price of £0.18 per share at any time prior to 14 August 2017.

The loan notes above are regarded as compound instruments, consisting of a liability component and an equity component. The fair value of the liability component has been estimated and the fair value assigned to the liability and shown as a non-current liability, whilst the equity component of £68,066 is shown within equity. In valuing the loan notes the likelihood of conversion has not been taken into account given this is under the control of the loan note holder.

19 Share capital

Ordinary share capital

	At 31 December 2015		**At 31 December 2014**	
	Number	**£**	**Number**	**£**
Ordinary shares of £0.001	369,143,635	369,143	193,714,204	193,714
Total ordinary share capital of the company		369,143		193,714

Rights attributable to ordinary shares
The holders of ordinary shares are entitled to receive notice of and attend and vote at any general meeting of the company.

A reconciliation of the movement in share capital during the year is detailed in note 20.

20 Reconciliation of share capital

	2015		2014	
	Ordinary Shares Number £0.0000001	Deferred Shares Number	Ordinary Shares Number £0.0000001	Deferred Shares Number
Opening balance	116,372,334	-	116,372,334	66,599,999,334,000
Issue of ordinary shares	77,341,870	-	77,341,870	-
Repurchased during the year	-	-	-	(66,599,999,334,000)
Closing balance	193,714,204	-	193,714,204	-

	2015		2014	
	Ordinary Share Capital £	Deferred Shares £	Ordinary Share Capital £	Deferred Shares £
Opening balance	193,714	-	116,372	6,660,000
Issue of ordinary shares	175,429	-	77,342	-
Repurchased during the year	-	-		(6,660,000)
Closing balance	369,143	-	193,714	-

	2015		2014	
	Share Premium £	Merger relief reserve £	Share Premium £	Merger relief reserve £
Opening balance	64,470,509	41,009,443	23,563,470	40,410,393
Issue of ordinary shares	4,756,149	21,615,007	40,907,039	599,050
Closing balance	69,226,658	62,624,450	64,470,509	41,009,443

21 Share options

In September 2013 Rightster Limited introduced an approved EMI share option scheme for employees. The first options were granted in September and October 2013, where options were issued in replacement for options issued under the original Rightster Limited unapproved scheme, vesting periods were deemed to have commenced from 30 May 2013. The replacement share options issued by Rightster Group plc were treated as modification of the original scheme, in accordance with IFRS2.28. The options were valued using the Black-Scholes valuation model, using the following assumptions.

	Options
Expected option life	4 years
Expected volatility	50%
Weighted average volatility	50%
Risk-free interest rate	2.74%
Expected dividend yield	0%

The charge included within the financial statements for share options for the year to 31 December 2015 is £1,137,920 (2014:£ 914,414).

Within the assumptions above 50% share price volatility has been used, the assumption is based on the average volatility for AIM adjusted for Rightster Group plc being a new listed company. The actual share price volatility since IPO has been comparable with this assumption.

Options vest as follows:

- 25% 12 months from grant date
- 2.08% each month commencing 13 months from grant date until the options are fully vested at the end of the four year vesting period.

Details of the options issued under the approved scheme are as follows:	**Number**	**Weighted average exercise price**
Outstanding at the beginning of the year	22,582,681	53.2p
Granted during the year	24,694,062	2.0p
Exercised during the year	(724,449)	28.0p
Cancelled during the year	(3,616,824)	53.0p
Outstanding at the end of the year	42,935,470	4.0p
Exercisable at the end of the year	10,258,762	26.0p

The weighted average share price on the date options were exercised was 6p.

Share options expire after 10 years, the options above expiring between March 2021 and December 2025.

In addition to the above 2,326,031 warrants were issued. The warrants were issued at an exercise price of 60p and vest on 12 November 2017 and expire in November 2023. The warrants have been valued using the Black Scholes model using the same assumptions as those stated above for the valuation of the share options. The warrants fair value on grant were £581,908. The charge included within the financial statements at 31 December 2015 is £416,878.

22 Undertakings included in the financial statements

The consolidated financial statements include:

	Class of share held	Country of incorporation	Proportion held	Nature of business
Rightster Limited	Ordinary	UK	100%	Online video distribution
Rightster Inc.	Ordinary	USA	100%	Marketing & development
Rightster India LLP		India	100%	Software development
Rightster Gibraltar	Ordinary	Gibraltar	100%	Online video distribution
Preview Networks ApS	Ordinary	Denmark	100%	Online video distribution
Viral Management Limited	Ordinary	UK	100%	Online video distribution
Base 79 Limited	Ordinary	UK	100%	Online video distribution
Base 79 Inc.	Ordinary	USA	100%	Online video distribution
Base 79 SL	Ordinary	Spain	100%	Online video distribution
Base 79 GMBH	Ordinary	Germany	100%	Online video distribution
Base 79 SARL	Ordinary	France	100%	Online video distribution

23 Financial Instruments

Categories of financial instruments	As at 31 December 2015 £	As at 31 December 2014 £
Financial assets		
Loans and receivables	7,444,963	7,117,330
Cash and bank balances	3,134,349	8,458,247
	10,579,312	15,575,577
Financial liabilities at amortised cost		
Trade and other payables	(9,768,696)	(8,744,964)
Borrowings	(334,300)	-
Deferred consideration	-	(22,163,229)
	(10,102,996)	(30,908,193)

Financial risk management

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

Foreign currency risk

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

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

	Other	Indian Rupee	US Dollar	Euro	Sterling	Total
	£	£	£	£	£	£
Financial assets	20,581	520,588	1,350,990	2,620,269	68,045,423	72,557,851
Financial liabilities	(85,447)	(758,322)	(20,502)	(198,262)	(33,786,231)	(34,848,764)
Total exposure 31.12.2014	(64,866)	(237,734)	1,330,488	2,422,007	34,259,192	37,709,087
Financial assets	114,558	-	2,619,855	566,988	26,419,201	29,720,602
Financial liabilities	(127,881)	(111,254)	(1,006,787)	(1,169,175)	(10,867,774)	(13,242,544)
Total exposure at 31.12.2015	(13,323)	(111,254)	1,613,068	(602,187)	15,551,427	16,478,058

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

Impact on loss and equity	10% Increase in favour of AUS Dollars	10% Increase in favour of Rupees	10% Increase in favour of US Dollars	10% Increase in favour of Euro
	£	£	£	£
For the year to 31.12.2014	37,607	(115,394)	122,714	81,186
For the year to 31.12.2015	(786,070)	70,285	949,428	131,054

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

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

23 Financial Instruments – continued

Contractual maturities
The Group manages liquidity risk by maintaining adequate reserves.

Interest rate risk
The Group holds the majority of its cash and cash equivalents in corporate current accounts. These accounts offer a competitive interest rate with the advantage of quick access to the funds.

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

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

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

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

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

Maturity analysis
Set out below is a maturity analysis for non-derivative financial liabilities. The amounts disclosed are based on contractual undiscounted cash flows. The table includes both interest and principal cash flows. The group had no derivative financial liabilities at either reporting date.

23 Financial Instruments – continued

	Total £	Less than 1 Year £	1-3 Years £	3-5 Years £
As at 31 December 2014				
Borrowing principal payments	850,000	850,000	-	-
Trade and other payables	8,715,797	8,715,797	-	-
As at 31 December 2015				
Borrowing principal payments	348,581	-	348,581	-
Trade and other payables	9,768,696	9,768,696	-	-

For details as to how management is planning to manage liquidity risk to ensure debts are paid as due please see note 2.1.

24 Financial commitments

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

	At 31 December 2015 £	At 31 December 2014 £
Less than 1 year	616,290	157,551
Between 2 and 5 years	547,390	1,075,149
Over 5 years	-	-
	1,163,680	1,232,700

Minimum Guarantees
The Group has entered into contracts committing to the following minimum guarantees:

	At 31 December 2015 £	At 31 December 2014 £
Minimum guarantees		
Less than 1 year	891,336	1,489,216
Between 2 and 5 years	-	1,082,120
	-	2,571,336

25 Transactions with Directors and other related parties

25.1. During the periods, the Group entered into transactions, in the ordinary course of business, with Viral Management Limited, an associated undertaking for part of the year prior to the company becoming a subsidiary. Prior to the date when Viral Management Limited became a subsidiary undertaking on 8 July 2014 the group made purchases of £517,695 from Viral Management Limited in 2014.

25.2. Tixdaq Limited

Tixdaq Limited is a group of sport sites owned by William Muirhead who is a connected party through his relationship with Charles Muirhead. During the period to 31 December 2015 the Group paid a revenue share to Tixdaq Limited, from advertising generated on the above websites of £14,840 (2014:£115,718) to Tixdaq Limited. The balance outstanding at 31 December 2015 was £nil (2014:£5,860).

25.3. Sports Investment Partners LLP

Fees of £135,000 (2014: £178,800) were paid to Sports Investment Partners LLP which is a connected party through its relationship with Michael Broughton, a former director of the company. The amount outstanding at 31 December 2015 was £100,000 (2014: £Nil).

Independent auditor's report to the members of Rightster Group plc

We have audited the parent company financial statements of Rightster Group plc for the year ended 31 December 2015 which comprise the company balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 16, the Directors are responsible for the preparation of the parent company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the parent company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate

Opinion on financial statements

In our opinion the parent company financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2015;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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

Other matter

We have reported separately on the group financial statements of Rightster Group plc for the year ended 31 December 2015.

Mark Henshaw
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
April 2016

As at 31 December 2015

	Note	At December 2015 £	At December 2014 £
Fixed asset investments			
Investments in subsidiaries	27	19,062,150	49,467,997
Current Assets			
Debtors	28	334,300	31,478,596
		334,300	31,478,596
Creditors: amounts falling due after more than one year	29	(334,300)	-
		(334,300)	-
Total assets less current liabilities		19,062,150	80,946,593
Capital and reserves			
Called up share capital	30	369,143	193,714
Share premium account	30	69,226,658	64,470,509
Capital redemption reserve	30	6,660,000	6,660,000
Merger relief reserve	30	62,624,450	41,009,443
Convertible loan note		68,066	-
Profit and loss account	31	(119,886,167)	(31,387,073)
	32	19,062,150	80,946,593

The financial statements on pages 64-71 were approved by the Board of Directors on 2016 and were signed on its behalf by

. . . .

Director

For the year ended 31 December 2015

	Share capital £	Share premium £	Deferred share capital £	Capital redemption Reserve £	Convertible Loan Note £	Merger relief Reserve £	Retained earnings £	**Total Equity £**
At 31 December 2013	116,372	23,563,470	6,660,000	-	-	40,410,393	(396,951)	70,353,284
Shares issued during the year	77,342	42,006,776	-	-	-	599,050	-	42,683,168
Share issue costs	-	(1,099,737)	-	-	-	-	-	(1,099,737)
Equity settled share based payments	-	-	-	-	-	-	1,773,558	1,773,558
Repurchased during the year	-	-	(6,660,000)	6,660,000	-	-	-	-
Transactions with owners	77,342	40,907,039	(6,660,000)	6,660,000	-	599,050	1,773,558	43,356,989
Other Comprehensive income								
Loss and total comprehensive income for the year	-	-	-	-	-	-	(32,763,680)	(32,763,680)
At 31 December 2014	193,714	64,470,509	-	6,660,000	-	41,009,443	(31,387,073)	80,946,593
Shares issued during the year	175,429	5,159,720	-	-	-	21,615,007	-	26,950,156
Share issue costs	-	(403,571)	-	-	-	-	-	(403,571)
Equity settled share based payments	-	-	-	-	-	-	4,513,468	4,513,468
Issue of convertible loan notes	-	-	-	-	68,066	-	-	68,066
Transactions with owners	175,429	4,756,149	-	-	68,066	21,615,007	4,513,468	31,128,119
Other Comprehensive income								
Loss and total comprehensive income for the year	-	-	-	-	-	-	(93,012,562)	(93,012,562)
At 31 December 2015	369,143	69,226,658	-	6,660,000	68,066	62,624,450	(119,886,167)	19,062,150

26 Accounting Policies

The financial statements have been prepared in accordance with applicable accounting standards including Financial Reporting Standard 102 The Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2006. The financial statements have been prepared on a going concern basis under the historical cost convention, modified to include certain items at fair value. The financial statements are prepared in sterling which is the functional currency of the company.

This is the first year in which the financial statements have been prepared under FRS 102.

Going concern
The financial statements have been prepared on a going concern basis, which assumes that the company will be able to meet its liabilities as they fall due for the foreseeable future. The company is dependent for its working capital requirements on cash generated from operations, cash holdings and from equity markets. The cash holdings of the Group at 31 December 2015 were £3,134,349.

The company made a loss of £52,297,007 for the year ended 31 December 2015 (2014: £18,045,072).

The Directors have prepared detailed cash flow projections ("the Projections") which are based on their current expectations of trading prospects. The forecasts have been prepared over a period of 5 years. In order to fund the existing growth plans and working capital requirement the company required additional financing to meet its obligations. On 6 January 2016, the Group secured a further £10 million (before expenses) in additional funding to finance the new strategic plan of the new management team. Accordingly, the Directors have concluded that it is appropriate to continue to adopt the going concern basis in preparing these financial statements.

Deferred taxation
Deferred tax represents the future tax consequences of transactions and events recognised in the financial statements of current and previous periods. It is recognised in respect of all timing differences, with certain exceptions. Timing differences are differences between taxable profits and total comprehensive income as stated in the financial statements that arise from the inclusion of income and expense in tax assessments in periods different from those in which they are recognised in the financial statements. Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.
Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of timing differences. Deferred tax on revalued non-depreciable tangible fixed assets and investment properties is measured using the rates and allowances that apply to the sale of the asset.

Investments
Investments are recognised initially at fair value which is normally the transaction price excluding transaction costs. Subsequently, they are measured at cost less impairment.

Debtors
Debtors are stated in the balance sheet at estimated net realisable value.

Share based payments
Employees (including Directors) of the company received remuneration in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions').

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

Exemptions
The Directors have taken advantage of the exemption available under section 408 of the Companies Act 2006 and not presented a profit and loss account for the Company alone.

The company has taken advantage of exemption, under the terms of Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', not to disclose related party transactions with wholly owned subsidiaries within the group.

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

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

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

Merger relief reserve – where the following conditions are met any excess consideration received over the nominal value of the shares issued is recognised in the merger relief reserve:

- the consideration for shares in another company includes issued shares;
- on completion of the transaction, the company issuing the shares will have secured at least a 90% equity holding in the other company.

Where the company purchases its own equity share capital, on cancellation the nominal value of the shares cancelled is deducted from share capital and the amount is transferred to the capital redemption reserve.

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

Convertible loan note
Compound financial instruments issued by the Company comprise convertible loan notes that can be converted to share capital at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value. The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition except on conversion or expiry. Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period. On conversion of the compound instrument to equity, the shares are issued by the company in line with the terms of the instrument agreement. Any difference between the nominal value of the shares issued and the conversion price is credited to the share premium account.

Significant judgements and estimates

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

27 Investments in subsidiaries and associates

Investments

	2015
	£
At 31 December 2014	49,467,997
Additions	26,274,085
Impairment	(56,679,932)
At 31 December 2015	19,062,150

As at 31 December 2015, investments were assessed for impairment, the newly appointed management team having adopted a new strategy which has resulted in a change of business model. Updated forecasts and assumptions have been prepared using the new business model behind the strategy which has resulted in an impairment charge of £56,679,932.

At 31 December 2015 the company had the following subsidiary undertakings.

	Class of share held	Country of incorporation	Proportion held	Nature of business
Subsidiaries				
Rightster Limited	Ordinary	UK	100%	Online video distribution
Indirect subsidiaries				
Rightster Inc.	Ordinary	USA	100%	Marketing & development
Rightster India LLP		India	100%	Software development
Rightster Gibraltar	Ordinary	Gibraltar	100%	Online video distribution
Preview Networks ApS	Ordinary	Denmark	100%	Online video distribution
Viral Management Limited	Ordinary	UK	100%	Online video distribution
Base 79 Limited	Ordinary	UK	100%	Online video distribution
Base 79 Inc.	Ordinary	USA	100%	Online video distribution
Base 79 SL	Ordinary	Spain	100%	Online video distribution
Base 79 GMBH	Ordinary	Germany	100%	Online video distribution
Base 79 SARL	Ordinary	France	100%	Online video distribution

28 Debtors

	2015	2014
	£	£
Prepayments	4,520	1,815
Other debtors	26,663	26,663
Amounts due from group undertakings	303,117	31,450,118
	334,300	31,478,596

29 Creditors – amounts falling due after one year

	2015	2014
	£	£
Debt elements of convertible notes (note 18)	334,300	-
	334,300	-

30 Capital and reserves

Ordinary share capital

	At 31 December 2015 Number	£	At 31 December 2014 Number	£
Ordinary shares of £0.001	369,143,635	369,143	193,714,204	193,714
Total ordinary share capital of the company		369,143		193,714

Called-up share capital – represents the nominal value of shares that have been issued.

Share premium account – includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium.

Profit and loss account – includes all current and prior period retained profits and losses.

Rights attributable to ordinary shares
The holders of ordinary shares are entitled to receive notice of and attend and vote at any general meeting of the company.

The movement in share capital can be reconciled as follows:

	2015 Ordinary Shares Number £0.0000001	2015 Deferred Shares Number	2014 Ordinary Shares Number £0.0000001	2014 Deferred Shares Number
Opening balance	116,372,334	-	116,372,334	66,599,999,334,000
Issue of ordinary shares	77,341,870	-	77,341,870	-
Repurchased during the year	-	-	-	(66,599,999,334,000)
Closing balance	193,714,204	-	193,714,204	-

	2015 Ordinary Share Capital £	2015 Deferred Shares £	2014 Ordinary Share Capital £	2014 Deferred Shares £
Opening balance	193,714	-	116,372	6,660,000
Issue of ordinary shares	175,429	-	77,342	-
Repurchased during the year	-	-		(6,660,000)
Closing balance	369,143	-	193,714	-

	2015 Share Premium £	2015 Merger relief reserve £	2014 Share Premium £	2014 Merger relief reserve £
Opening balance	64,470,509	41,009,443	23,563,470	40,410,393
Issue of ordinary shares	4,756,149	21,615,007	40,907,039	599,050
Closing balance	69,226,658	62,624,450	64,470,509	41,009,443

30 Capital and reserves – continued

	Number	£
Deferred ordinary shares of £0.0000001	66,599,999,334,000	6,660,000

All deferred shares were repurchased and cancelled by the company on 31 July 2014.

Rights attributable to the deferred ordinary shares
The holders of Deferred Shares carry no rights to participate in the profits of the company. On a return of capital on a winding up or dissolution (but not otherwise) the holders of the Deferred Shares shall be entitled to participate in the distribution of the assets of the Company pari passu with the holders of the Ordinary Shares but only in respect of any excess of those assets above £1,000,000,000,000.

The holders of the Deferred Shares shall not be entitled, in their capacity as holders of such shares, to receive notice of any general meeting of the Company or to attend, speak or vote at any such meeting. The Deferred Shares shall not be listed on any stock exchange nor shall any share certificates be issued in respect of such shares. The Deferred Shares shall not be transferable, save as referred to below or with the written consent of the Directors.

31 Profit and loss account

	2015	2014
	£	£
At 31 December 2014	(31,387,073)	(396,951)
Loss for the year	(93,012,562)	(32,763,680)
Share based payments granted on behalf of subsidiaries	4,513,468	1,773,558
At 31 December 2015	(119,886,167)	(31,387,073)

32 Reconciliation of movement in equity shareholders' funds

	2015	2014
	£	£
Loss for the financial year	(93,012,562)	(32,763,680)
Share options granted to employees of subsidiaries	4,513,468	1,773,558
Equity element of convertible loan notes	68,066	-
Net proceeds from shares issued	26,546,585	41,583,431
Net (decrease) / increase in shareholders' funds	(61,884,443)	10,593,309
Opening shareholders' funds	80,946,593	70,353,284
Closing shareholders' funds	19,062,150	80,946,593