

# INVESTING IN THE DEVELOPMENT OF VIDEO GAMES



INVEST2PLAY

**INFORMATION MEMORANDUM**

Tax Year 2011/2012



A CHANCERY (UK) LLP  
ENTERPRISE INVESTMENT SCHEME





# ENTERPRISE INVESTMENT SCHEME

INFORMATION MEMORANDUM

INVEST2PLAY LIMITED

JULY 2011



Tax Year 2011/2012



Authorised and Regulated by the Financial Services Authority

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### The requirements for a person to become a certified high net worth individual

A certified high net worth individual is an individual who has in the preceding 12 months, ending with the day on which this communication is made, signed the statement in Part I of Schedule 5 of the Financial Promotion Order and satisfies the conditions included in that statement (see form in application pack).



## The requirements for a person to become a self certified sophisticated investor

A self certified sophisticated investor is an individual who has in the preceding 12 months, ending with the day on which this communication is made, signed the statement in Part II of Schedule 5 of the Financial Promotion Order and satisfies the conditions in that statement (see form in application pack).

The opportunity to invest in the Placing Shares is being made available in the United Kingdom only to persons falling within a relevant exemption to the Financial Promotion Order and other persons should not make any use of this document.

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Some important factors that could cause actual results to differ materially from those in any Forward Looking Information include, without limitation, changes in interest rates, taxation legislation, or domestic and foreign business, market, financial, political and legal conditions. There can be no assurance that any particular Forward Looking Information will be realised, and the performance of the Company may be materially different from the Forward Looking Information. The calculations in any Forward Looking Information have been prepared without a view necessarily towards public disclosure or compliance or conformity with published guidelines, or with generally accepted accounting principles of the UK in each case whether relating to historical or other financial or statistical information or data. Such Forward Looking Information should be considered in conjunction with all the other information contained in this IM, including the information contained in the section of this IM entitled Risk Factors on page 26.

## Risk Factors

Investment in the Company carries substantial risk. There can be no assurance that the Company's investment objectives will be achieved and results may vary substantially over time. Prospective investors should carefully consider whether an investment in Placing Shares is suitable for them in light of their circumstances and financial resources (see further under Risk Factors). If you are in any doubt about the contents of this document you should consult your stockbroker, bank manager, accountant or other professional adviser.

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**This Information Memorandum is dated July 2011**





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## INVESTMENT SUMMARY

The Company will provide Shareholders with the opportunity to participate in the international video games industry. It will do this through the development, co-development and exploitation of high quality, commercial, digitally distributed video games projects.

A Games Adviser with extensive experience in the international games market place shall be appointed by the Company. Through its industry relationships, the Games Adviser shall source opportunities for the Company. The Company is well placed to participate in the most commercially viable games projects and the Games Adviser has already assembled a commercially compelling and diversified portfolio of potential games investments, thus significantly reducing much of the 'blind pool' potential for the Company's future investments.

Key to the successful exploitation of video games are the arrangements that are in place for their worldwide distribution. The Company will only participate in games projects that have been accepted by at least one of the industry's distributors across one or more formats (Sony PlayStation, Nintendo, Microsoft Xbox, or PC) and where the Directors are confident that an effective route to all major markets is established. In most cases the games will be distributed across multiple formats to maximise revenue potential and ensure timely recoupment.



The Company will apply strict risk mitigation and portfolio diversification criteria and negotiate primary recoupment positions. It will charge producer/budget premiums to generate investment returns and will retain equity positions in video game projects to help build a portfolio of games with the potential for ongoing revenue streams and subsequent additional exploitation.

Based on financial projections prepared for the Company's business model, which assumes that a risk minimisation strategy is employed over a 3 year period, and ignoring the residual value in the retained rights of the games projects accumulated, the Games Adviser believes the company should be able to return to shareholders at least their initial equity investment plus a return. Details of the return are set out in the Projects document.

If after 3 years the Shareholders only receive back their original investment, and assuming the 30% EIS Income Tax credit is successfully claimed, the effective net IRR would be 12.62%. Assuming an EIS credit of 20%, the effective net IRR would be 7.72%.

### Enterprise Investment Scheme

The Directors anticipate that the Company will qualify under the EIS rules and therefore Share subscriptions should attain various tax benefits for investors, depending on their circumstances. (More details can be found on page 18. The main benefits, which depend on the Company continuing to trade for at least 3 years, are:

- Income Tax credit of 30% for relief in 2011/12 of the subscription (£500,000 investment cap);
- the ability to carry back the Income Tax credit to 2010/11 for relief at 20% (£500,000 investment cap);
- Capital Gains Tax Deferral Relief (unlimited);
- Capital Gains Tax Exemption on disposal of the Shares; and
- unlimited Inheritance Tax Relief after 2 years.

### Application

The minimum investment is £20,000, which equates to 20,000 £0.01p Ordinary Shares. The Directors may accept lower investments at their discretion.

The Directors will allot shares throughout the year on suitable dates to accommodate applications, as they are received, until the offer is fully subscribed.



## AN INTRODUCTION TO THE GAMES INDUSTRY

### Games Market

Video gaming is no longer the province of the stereotypical 18 year old male. It has become mass market entertainment - circa 59% of the UK population regularly plays video games and circa 46% players are now female (source: GameVision Europe Ltd May 2010).

The video games market is a truly global marketplace and is predicted to expand from \$52.5bn in 2009 to \$86.8bn in 2014, growing at 10.6% compound annual rate, (source: PwC global entertainment and media outlook 2010-2014). Enabled by the arrival of new hardware formats, both domestic and handheld, online and wireless games constitute the fastest growing end-user component of the market.

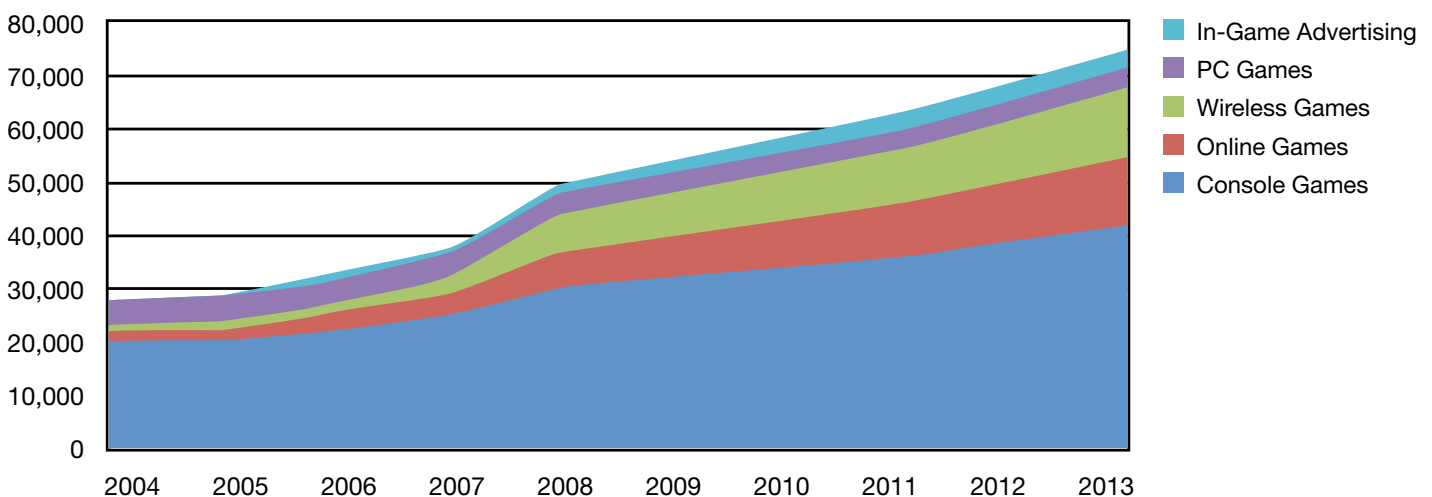
Revenues from video games derive from 2 sources:- advertisers (including product placement) and consumers. Advertising revenues tend to be correlated to the economic cycle and are, therefore, cyclical and somewhat volatile. However, consumer revenues, the majority of which are derived from the purchase of games content, have remained in constant growth since the advent of the industry in the early 1980s. Recently, new technology (digital

and mobile platforms) has become the principal driver of games' content growth.

It is anticipated the video games software market is set for another cycle of rapid growth in consumer demand as a result of new hardware platforms and broadband enablement across TV, Internet and mobile channels. Increasing proliferation of games formats and delivery channels means that content owners now have the ability to leverage their brands further across a range of devices and channels, as well as the opportunity to generate incremental revenues. Fuelled by these drivers, device convergence and new business models for content sales, consumers are increasingly sourcing entertainment online. Consumers are also making more editorial choices about the content they consume and this, alongside a huge proliferation of user generated and community focused marketing, has, in turn, shifted consumption patterns away from traditional sales channels and towards the online market places that now exist around all games devices.

These developments now make it possible for the Company to provide Investors with access to market returns through the construction of a diversified portfolio of video games projects.

### Video Game Software Revenues \$M



Source: IBIS Capital, Global Video Games Review March 2010

# AN INTRODUCTION TO THE GAMES INDUSTRY

Typically there are four stages to bringing a Game to market. These are common across all formats and Game types. They are: Development & Production, QA & Submission, Marketing & Distribution and Exploitation & Support.

## 1) Development and Production

**Development** – This is the transformation of an original concept, licensed brand or existing work into a fully fleshed interactive Game proposition. During this phase the core members of the team, the Producer, Designer, Technical Director and Art Director, will assemble a small team to design and develop different components of the Game to demonstrate the technical feasibility and game play. The end result of this phase is called the Vertical Slice, a single prototype demonstrating both the technology and gameplay of the project, with only illustrative content included. Very often a Game will not be commissioned until this phase has been concluded, as roughly 80-90% of the project feasibility risk is removed from the production process. At the end of this phase a detailed budget and predictable production schedule and release timeline will usually be prepared and projects will be submitted to the console manufacturers and format holders for acceptance of a concept and preliminary approval for it to exist as a Game on their device and, in digitally delivered Games, confirmation of their willingness to distribute it from their portals.

**Production** – during this phase of a project the team swells significantly and the bulk of the content in a Game, Characters, Animations, Levels and Missions, are created. This phase carries the bulk of the project costs and a project has usually secured full production financing prior to entering it.

## 2) Quality Assurance (QA) and Submission

**QA** – This period is where fine-tuning of the project will occur. Software bugs will be identified and fixed during this phase and the team size will shrink.

**Submission** – The Game will be submitted to the console manufacturers, format holders and distributors so it can be vetted to ensure that it complies with their internal guidelines and initial distribution acceptance criteria. The Game is then ready for release.

## 3) Marketing and Distribution

**Marketing** – This will often start once the Game has entered the production phase and will run in parallel with it. The Game concept is demonstrated to the trade and public alike, fan websites are created, consumer feedback is solicited and a viral marketing campaign is often commissioned. During this period, a specialist marketing agency or department of a major publisher or distributor will engage with the project team and work with it to ensure there is consumer awareness of a game when it is released.

**Distribution** – Online and digitally delivered video games are typically distributed globally. There are three distinct regions, EMEA (Europe, Middle East & Asia), America (North & South) and APAC (Asia Pacific). A Game will not normally enter the production phase unless it has been accepted for distribution in at least 2 of these 3 regions.

Both retail and digitally delivered Games will often be developed across multiple formats (PlayStation, Nintendo, XBOX, PC) concurrently. It is normal for a Game to be released initially on a single format, the lead platform (often the platform that it operates best on or that will guarantee it specific marketing and exposure); it will subsequently (usually within 3 to 6 months) be released on the rest of the formats.

Following the principal distribution of a Game, and often its initial release to its major territories, it is important to secure distribution across any remaining territories in order to ensure its maximum global exposure. Distribution rights of both retail and digitally delivered Games can often be licensed to a distributor for sales advances or a minimum guarantee, normally payable on delivery. In addition to securing the distribution rights, publishers and distributors will usually fund print and advertising costs and contribute to the marketing plan for the regions for which they are responsible.

## 4) Exploitation

The first exploitation of a Game will take place on its lead platform, normally one of the major consoles, the Web or a handheld or mobile platform. It will often be released on a number of subsequent platforms within a further 3 to 6 months. Thereafter, it will often be repurposed and distributed for release



to have dedicated communities of players, who often spend money monthly to play the latest releases.

**Web** – The web has enabled a multitude of Games types, distribution methods and revenue streams. Many games have their own dedicated websites. In addition, there is a multitude of online portals (such as [www.miniclip.com](http://www.miniclip.com)) marketing and distributing on behalf of third parties, allowing consumers to play mini versions of a Game and then directing consumers to the main Game. A Game can also see exploitation through one of the many casual Games portals (such as [popcap.com](http://popcap.com)), where consumers pay for access to a large catalogue of relatively simple Games.

**Social Networks** – Platforms such as Facebook, with very large subscriber bases, allow Games to be played and charged for. Like casual Games, very often it is possible to repurpose a game onto these for incremental revenue. Additionally, many Games are now being launched on Facebook for brand awareness and later made available on additional formats.

**Handheld** – Sony's PSP and the Nintendo DS are the dominant formats in the handheld sector. Most Games in this sector have been launched on Console and are subsequently exploited on handheld. Of late, this sector has given way to the Mobile formats whose connectivity and multi-functionality has made them more desirable to consumers.

**Mobile** – mobile phones, smart phones (iPhone, Android) and web tablets, such as the iPad, are increasingly a viable format for video Games. Since 2000 this sector has grown to be worth in excess of \$3.4bn today (*EA estimates*). The most successful games in this sector existed on other platforms previously.

**Set Top** – Many television set top boxes ('STBs') will allow the download and playing of games, via 'red button' or IPTV technologies, albeit with more limited functionality and performance than many more conventional platforms. However, with over 40m subscribers worldwide already ([www.i-policy.org](http://www.i-policy.org)) this is a platform expected to grow due to the ubiquity and penetration of TVs connected to STBs in the home.

**In Transit** – Very often a proprietary platform is mounted in the seatbacks of aeroplanes, trains and other public transport.

on other formats or platforms, allowing access to multiple revenue streams. Some of these formats and platforms are listed below:

**Console** – Nintendo, PlayStation and XBOX 360 are the 3 dominant formats in the Games industry. They all have their own portals and online shops, selling and distributing content digitally, and the console sector makes up over 60% of Games revenues generated today.

**Online download and streaming** – Typically developed for personal computers there are several online services, Steam and Onlive to name 2, either selling and distributing Games for download onto consumers' personal computers or streaming them to their computers for periods of time. These services tend

## AN INTRODUCTION TO THE GAMES INDUSTRY

### Additional Opportunities

**Updates** – It is normally possible to produce additional content to an existing game. This can normally be done for a small proportion of the original cost, since the framework and technology for the game already exist. This is especially true of digitally delivered content, as the distributor is aware of who has an existing relationship with and has acquired the original content. It is thus quite easy to spread awareness of the additional content and many of the more successful digitally delivered games have grown through incremental release into becoming very successful games franchises.

**Product placement** – This is increasingly a revenue source in games with many manufacturers and consumer brands choosing to showcase their products to a wider audience through interactive demonstration. These are deemed to be more effective than conventional advertising for these parties, since a virtual world showcases the benefits of their products to consumers. This is done on a case-by-case basis, utilising specialist marketing agencies.

**Merchandising** – A games character's IP and content can be made into commercial products.

### New Technology - The Opportunity

Historically, major media companies have enjoyed a monopoly in creative finance because they have dominated traditional distribution channels. Using

their market power to control the intellectual property rights created through their financing, they have left little on the table for independent creators and producers, often the source of the industry's best ideas. The capital intensity of traditional distribution has meant that independent producers have been distanced from their end user markets. As a result, even where creators have managed to hold onto copyrights, the majors acted as 'toll collectors', demanding high fees for distribution as well as mandatory deductions for overheads and services that further erode net returns of the creators.

Low cost, digital distribution is now acting as a catalyst for change, offering independent creators and owners of content a direct route to market. For many smaller producers in the games industry, there is now an opportunity to become independent from the majors. All that is lacking is an adequate supply of third party capital. This is one of the key reasons that the Company is targeting this sector.

### Interactive / Digital Entertainment Financing

The global video games market is currently worth more than global film box office revenues and is growing as games are increasingly purchased online (source: *PwC global entertainment and media outlook 2010-2014*). Few financiers are currently addressing the UK games market, allowing, an opportunity for capital deployment to top tier games producers on what are expected to be attractive terms.



## Retail Based Product

Console based video games sold at retail currently account for the majority of sales revenues in the gaming space. However, individually, these games represent high product risk, in that they typically take 2 years to produce at an average cost of \$15m. They typically generate upto 85% of total revenues in their first 12 weeks of release, with revenue tailing off quickly thereafter. In other words, there is a restricted timeframe to achieve a high breakeven point. Games publishers have tried to reduce this risk by international consolidation, to the point that there is no longer a UK-owned games publisher. The Company will **not** be investing in the production of 'big budget' console based products, given these inherent risks.

## Digital / Downloadable Product

With the advent of digital distribution, the games industry is undergoing significant structural change. Independent developers now have direct access to low cost digital distribution as well as flexibility with regards to the types of products they make and the prices charged. Typically, this is trending towards smaller games (i.e. 1.5Gb down from 700Gb), sold at lower prices, with bolt on components being added later for additional fees. Compared to traditional retail games, digital releases benefit from longer sales cycles (up to 18 months), lower development costs (US\$300k-\$2m) and higher margins. Returns available to developers from digital releases are up to 5 times greater on average than when using a traditional publisher model. As such, digital / downloadable games will be a key focus of the Company.

## UK Games Industry

The UK interactive games market was worth US\$3.9bn in 2009 and is forecast to grow to US\$5.3bn by 2014, a CAGR of 6.7% (source: PwC global entertainment and media outlook 2010-2014).

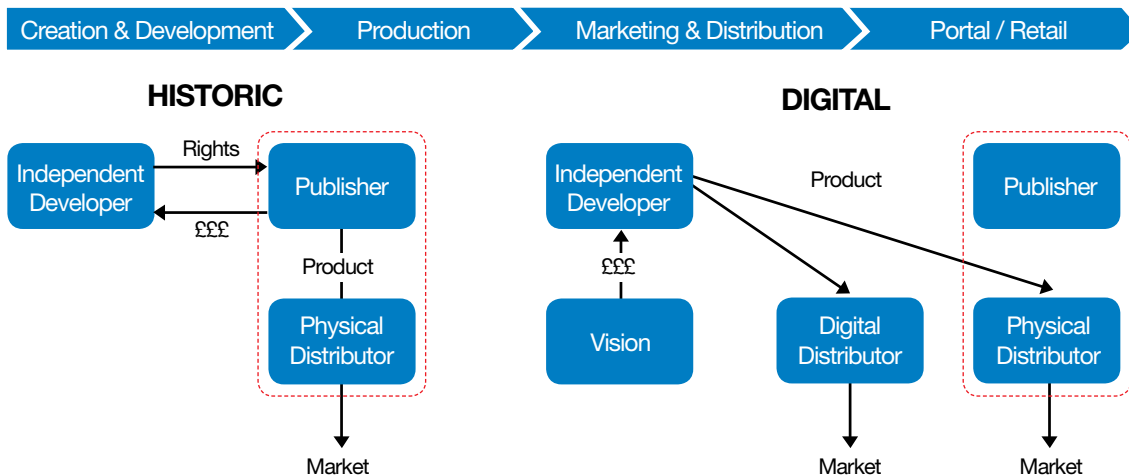
In 2009, the UK was recognized as the fourth-largest development community in the world, after the US, Japan and Canada. Many of the world's leading interactive games are made in the UK, albeit frequently financed by non-domestic publishers. The financing in this sector has traditionally been dominated by interactive video game publishers.

The advent of digital distribution, through platforms such as Steam for PC, Xbox Live Arcade and PlayStation Network, means that independent developers can now, at lower cost, directly access end user markets, as well as having more flexibility as to the types of products they make and the prices for which they are sold. The Directors believe that these factors have contributed to an increase in demand for third party finance within the sector, which is not being fully satisfied by existing specialist financiers. Attractive investment opportunities therefore exist in providing finance to independent developers for the production of interactive content released through digital distribution channels.

## UK Video Game Developers

The UK has a large number of independent video game developers, few of whom have historically been able to monetise ideas due to the need to surrender rights to publishers in return for production finance. Additionally, the substantial costs incurred in taking products to market through a traditional retail supply chain have further distanced developers from available returns.

## THE GAMES RIGHT CREATION CHAIN



## INVEST2PLAY BUSINESS OVERVIEW

The Company's business will be the development, production and exploitation of primarily British video games. A Games Adviser with significant experience in the international games marketplace will be appointed by the Company.

The games projects will typically have total budget ranges of between £300,000 and £1.2 million and will be produced by the Company in collaboration with leading international and British producers and designers with proven track records of commercial and critical success.

The Company intends to anchor its portfolio with one branded and 'bankable' project, normally based on existing intellectual property from the games industry or a licence from the worlds of television and film. Its remaining projects will be selected on the basis of:

- Genre opportunity (that there has been no similar game or game of the same genre released on the target platform for at least a year); and
- known performance of both the Games Developer and the title.

This philosophy is intended to enable the Company to maximise its flexibility whilst diversifying risk.

The Company aims to produce games from the total proceeds of the Offer. The number of games produced will depend upon the funds raised by the Company and whether the Other Games Development Companies are successful in their capital raising activities. After the Company's first accounting period, the Company intends to produce more games using revenues generated from completed projects and any unused reserves.

Whilst this private placing by the Company is on a stand-alone basis, the Games Adviser and the Distributor will be sponsoring similar capital raising exercises by means of private placing by other companies ('Other Games Development Companies'). Such Other Games Development Companies intend to adopt similar selection strategies.

Taking a game from Vertical Slice to Games Distributor acceptance normally takes approximately 9 months. From launch, the income cycle is up to eighteen months. Within about 4 months of launch the game should have recovered its development cost and enhanced profit; thereafter, the income stream will continue but be shared with the Games Developer.

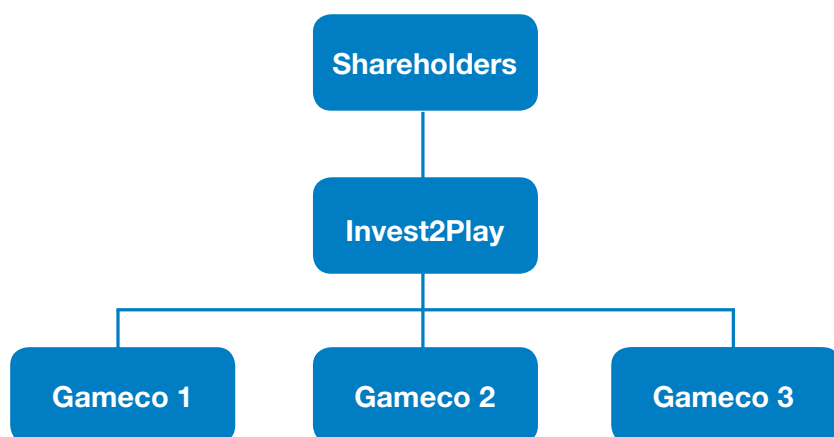
The investment criteria for the Other Games Development Companies will permit them to exchange parts of their respective interests in games, thereby diversifying risk. Upon the Minimum Subscription being subscribed to the Company, the business of the Company will proceed regardless of whether the Other Games Development Companies are successful in their capital raisings. In the event that one or more of the Other Games Development Companies are successful in its capital raising exercise, it is proposed that the Company and the Other Games Development Companies may enter into commercial arrangements to exchange an interest in rights to income from one set of games in exchange for an interest in another, thereby diversifying risk. The Company's primary interest will be in the games it produces.

The Company will fund and manage the development of the production from Vertical Slice and recoup this in a primary position under a contractual agreement. The Company will negotiate a priority premium on its contribution from each game and also seek to secure an on-going share of the net profits derived from the exploitation of each game.

The Placing Shares are offered at £1.00 each payable in full upon application. Up to 2,000,000 Ordinary £0.01p Shares will be issued pursuant to this Offer by the Company.

### Business Structure

A Games Developer will, at its own risk, develop a proposed Game to Vertical Slice. It will bring the proposition (with its assessment of sales potential) to the Games Adviser, normally some 3 or 4 weeks before that point is reached. The Games Adviser will assess the prospects of the Game by reference to a number of criteria, including the format, the Games Developer's track record, the stage of development reached, the expected time and cost to complete, the





proposed selling price and distribution channels and the anticipated return on investment. It will refer the proposal to an independent expert, Parker Consulting, for an assessment of its likely sales prospects by reference to an extensive and comprehensive database of worldwide sales data for computer games.

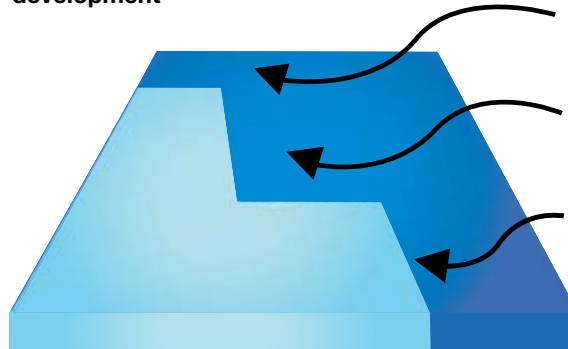
Provided the proposed game meets the pre-determined criteria, the Company will undertake the further development of the game. A Special Purpose Company ('SPV') will be established, which will be 100% owned by the Company, into which the Games Developer will introduce all the Intellectual Property Rights, as well as negotiated rights to other revenue streams deriving from the game, (which could include from product placement, advertising and merchandising).

The Games Developer will also be asked to warrant its assessment of net revenues; as part of the Company's criteria, this should be equal to or greater than the development cost. To underpin this warranty, the Company will, if necessary, require the Games Developer to grant security over R&D Tax Credits. In that case, the Games Adviser will commission an assessment of the potential R & D Tax Credits available to the Games Developer.

The Company, via the SPV, will then undertake, or commission, a third party to undertake the further development of the Game as its agent.

A recoupment schedule, often called 'the waterfall', will be established to determine the repayment ranking of the relevant parties. All sales proceeds will be received via Games Distributors, who normally charge some 30% of gross receipts. The remaining 70% of sales proceeds, or other revenue streams (whichever is the earlier), will first be paid to the Company, until it has recouped the full amount of its development expenditure together with its enhanced profit share. Thereafter, profits will be shared in proportions negotiated in 'the waterfall' until the Game has reached the end of its revenue-generating life. At that point, depending on the Game and the rights, either the Games Developer will come forward with a new Vertical Slice proposal (which will be assessed as described above) or the SPV will export or sell the remaining rights, either back to the original Games Developer or to an established publisher or production company. The SPV will then be liquidated, returning funds to the Company and Games Developer in the pre-agreed proportions.

## Illustration of the potential waterfall for a game development



100% of revenue until initial investment recouped

Revenue shared until an enhanced profit earned

Minority residual equity position

## Games Criteria and Risk Limitation

The policy of the Company will be to produce only games which have been recommended by the Games Adviser and, in the Directors' opinion, meet the following criteria:

- The Games Developer's sales estimates show anticipated net revenues of no less than the development budget.
- The Company has obtained a satisfactory independent, specialist sales assessment of anticipated net revenues.
- The warranty from the Games Developer will ensure that net games revenues will not fall below 70% of the Company's development costs.
- It is a co-production with leading studios and producers.
- It has potentially strong international appeal.
- It has been accepted for distribution by one of the leading international format holders or Games Distributors.
- The production is ring fenced by the creation of an individual SPV.
- Revenue will be paid directly to the SPV by Games Distributors, or an independent revenue collection agent is to be appointed.
- The Games Adviser will oversee and advise on the production.
- The Company is a qualifying company for the Enterprise Investment Scheme.

## GAMES ADVISER: STANDFAST INTERACTIVE LIMITED

Standfast Interactive Ltd ('Standfast'), a specialist games financier, will be appointed as Games Adviser to the Company. Standfast was started in 2010 by Morgan O'Rahilly, one of the UK's leading games entrepreneurs and producers, who has 17 years experience in the games industry at the highest levels. He has produced over 100 games across all formats whose combined sales have generated in excess of £500M in revenues. Of these games, 97% have achieved breakeven, 52% have achieved in excess of a 100% return on investment, 20% have received in excess of a 200% return on investment and 6% achieved in excess of a 300% return on investment.

With a specialist management team that spans corporate finance and the production, marketing, sales and distribution of high quality video games projects, Standfast has developed a proprietary risk management system. This uses industry sales data, together with in-depth production and sales channel

knowledge, to seek an optimal risk/reward balance within the games portfolio. Additionally, it has an established approach to production management. The management of risk governs the tailored approach that Standfast takes in delivering each project, using weighted metrics to provide a detailed picture of a projects risk profile coupled with the experience on the management team and specialist product support. The successful delivery of any creative process is dependant on considering technical, resource, time, cost and qualitative variables at every stage in the delivery.

Standfast's management enjoys close working relationships with all major console manufacturers, publishers and distributors in the industry, such as Sony PlayStation, Activision and Steam. Additionally, it has extensive relationships within the UK and worldwide games development community and is active across several industry bodies.

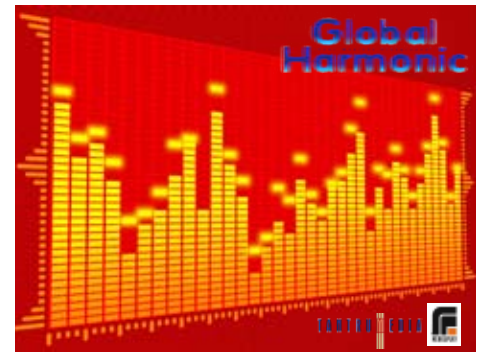
## FUTURE PROJECTS



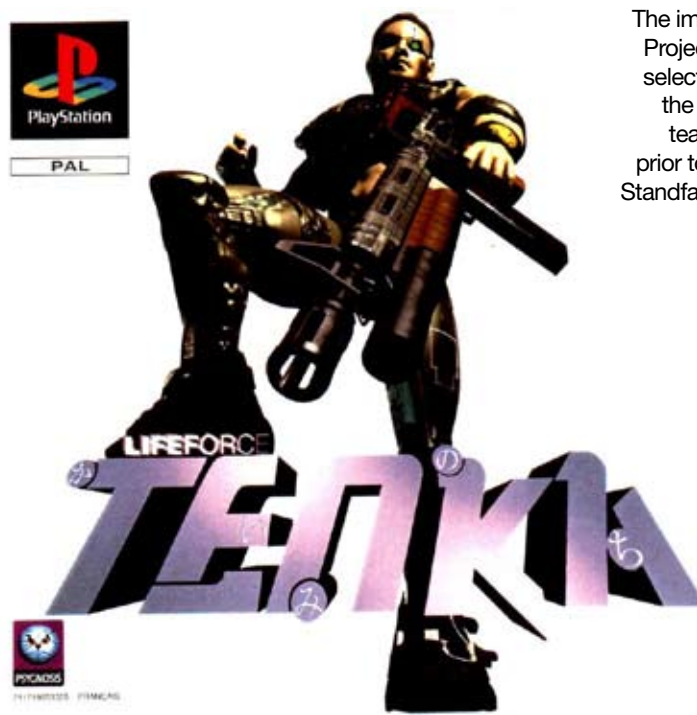
The images for Future Projects are from a selection of games the management team at Standfast Interactive are currently considering.



## FUTURE PROJECTS



## PAST PROJECTS



The images for Past Projects are from a selection of games the management team worked on prior to establishing Standfast Interactive.



## SUBSCRIPTIONS FINANCE

### Offer

Up to 2,000,000 £0.01p Ordinary Shares are available for issue. No part of this has been underwritten or guaranteed.

Applications will be dealt with on a first come, first served basis and the Directors reserve the right to reject an application for any reason at their discretion.

### Minimum Investment

The minimum investment per investor is £20,000. The maximum investment per investor is unlimited but EIS Income Tax relief is capped at investments of £500,000 per annum (£1,000,000 over two tax years). Capital Gains Tax Deferral relief is available on investments in excess of this (limited to the amount that may be invested in the Company).

Although there is no maximum investment level, investors should consider the EIS taxation rules regarding level of ownership if they wish to invest at a significant level and the Directors will not accept applications above a level that endangers this relief.

### Maximum Subscription

The maximum subscription for Placing Shares under this offer is £2,000,000.

### Shareholders' Funding Including Personal Loans

Prospective Shareholders are free to fund their subscription for Ordinary Shares as they see fit. Should prospective shareholders choose to borrow some of their subscription, they are advised to seek independent financial advice in respect of the risks of borrowing. Neither the Directors nor the Distributor accept liability pursuant to this IM for any losses incurred as a result of borrowing. Borrowing and costs associated with it may increase losses (or diminish returns) to investors who subscribe for shares.

### Taxation

The Directors believe that the Company will qualify under the EIS rules; however, this status cannot be guaranteed and may be subject to change in the future. The advisers to the Company have received advance assurance from HMRC for the Invest2Play offer.

The following is only a brief summary of EIS taxation reliefs. The taxation rules of EIS are complex. This summary should not be construed as constituting advice, which a potential investor should obtain from his or her own investment or taxation adviser before applying for Placing Shares in the Company. The value of any tax reliefs will depend on the individual circumstances of investors.

This brief synopsis assumes an investor and the Company comply with the EIS rules for the relevant period, of at least three years.

### Income Tax

Individuals can obtain 30% EIS Income Tax Relief for investments made in 2011/12, and 20% EIS Income Tax Relief for investments carried back to 2010/11. This is subject to a maximum subscription for shares of £500,000 in any one tax year.

Example 2011/12	£
Cost of shares	100,000
Less ITR (30%)	(30,000)
<b>Effective net cost</b>	<b>70,000</b>

### Capital Gains Tax - Deferral Relief

Investors can defer paying tax on any amount of chargeable gains to the extent they subscribe for EIS shares. The limit per tax year for Income Tax relief does not apply.



**The shares must be issued within 1 year before or 3 years after the date of the disposal which gives rise to the gain.** The relief can, therefore, be used as a carry back against capital gains made in earlier years. For example, if a gain was made on 31 January 2009 it could be sheltered if shares in the Company were subscribed for and issued by 30 January 2012. The gain is deferred until there is a chargeable event, such as a disposal of the EIS Shares or a breach of the EIS rules.

Example	£
Gain (Jan 2010) (assumed)	50,000
EIS Investment (Dec 2010)	(50,000)
<b>Taxable gain</b>	<b>NIL</b>
Gain deferred	50,000

Once revived, the gain is taxable at the prevailing Capital Gains Tax rate at that time, not the rate applicable to the original gain. The current Capital Gains Tax rate for higher rate taxpayers is 28%.

### Capital Gains Tax - Exemption

After the Relevant Period, broadly 3 years, any capital gains realised on disposal of the shares are tax free provided the EIS relief has not been previously withdrawn.

Example	£
Sale proceeds (assumed)	150,000
Less cost	(100,000)
Gain <b>(Tax free)</b>	50,000

**Note: This exemption does not apply to Capital Gains Tax deferred as above.**

Although not part of EIS, the following tax reliefs are also expected to be available to Shareholders.

### Inheritance Tax

Provided a shareholder has owned shares in a qualifying unquoted trading company for at least 2 years and certain conditions are met at the time of the transfer, 100% business property relief should be available. This may reduce the Inheritance Tax liability on the shares to £nil.

### Loss Relief

In the unfortunate event that a shareholder realises a loss on his or her shares they can claim further relief. The illustration below assumes that the EIS rules have been met for a 3 year period before realisation of the loss.

Example	£
Realisation (assumed)	NIL
Cost of shares	(100,000)
Less Income Tax Relief (30%)	30,000
<b>Net loss</b>	<b>(70,000)</b>
Income Tax Loss relief @ 50%*	35,000
<b>Overall loss</b>	<b>(35,000)</b>

\*Assuming losses are used against income otherwise taxable at the highest rate of Income Tax, currently 50%.

To summarise the illustration above, a loss of £100,000 will produce tax relief of £65,000 so the shareholder's loss after relief is reduced to £35,000.



## FINANCIALS

This section includes projections which are provided for illustrative purposes only. They are based on assumptions and are subject to the Risk Factors on page 26. There could be no income and no distributions to Investors, or income and distributions could be higher or lower than those illustrated. Furthermore, income could be received and distributions made, over a longer or lesser period of time. The actual results and developments may differ materially from those expressed or implied by these statements because of a variety of factors and, accordingly, there can be no assurances that the projected results or developments will be attained.

Based on financial projections prepared for the Company's business model, which assumes that a risk minimisation strategy is employed over a 3 year period, and ignoring the residual value in the

retained rights of the games projects accumulated, the Games Adviser believes the company should be able to return to shareholders at least their initial equity investment plus a projected return. Details of the projected return are set out in the Games Projects Document.

If after 3 years the Shareholders only receive back their original investment, and assuming the 30% EIS Income Tax credit is successfully claimed, the effective net IRR would be 12.62%. Assuming a credit of 20% the effective net IRR would be 7.72%.

### Examples

The following examples focus on the Income Tax and Capital Gains Tax reliefs for a £100,000 investment. These do not account for Inheritance Tax relief which may also be available to Investors.

#### Example (1) – Client who claims EIS Income Tax relief only on £100,000.

Performance -/+	-20%	0%	+20%
Investment	£100,000	£100,000	£100,000
EIS Income Tax relief 2011/12	£(30,000)	£(30,000)	£(30,000)
<b>Net cost of investment</b>	<b>£70,000</b>	<b>£70,000</b>	<b>£70,000</b>
Investment Return	£80,000	£100,000	£120,000
<b>Gain / (Loss) on investment</b>	<b>£10,000</b>	<b>£30,000</b>	<b>£50,000</b>
<b>Effective net IRR.</b>	<b>4.55%</b>	<b>12.62%</b>	<b>19.68%</b>

#### Example (2) – Client who claims EIS Income Tax credit with CGT Deferral relief at 28%.

Performance -/+	-20%	0%	+20%
Investment	£100,000	£100,000	£100,000
EIS Income Tax relief 2011/12	£(30,000)	£(30,000)	£(30,000)
CGT Deferral relief – current rate	£(28,000)	£(28,000)	£(28,000)
<b>Net cost of investment</b>	<b>£42,000</b>	<b>£42,000</b>	<b>£42,000</b>
Investment Return	£80,000	£100,000	£120,000
CGT Deferred payable	£28,000	£28,000	£28,000
<b>Gain / (Loss) on investment</b>	<b>£10,000</b>	<b>£30,000</b>	<b>£50,000</b>
<b>Effective net IRR</b>	<b>7.3%</b>	<b>19.68%</b>	<b>29.87%</b>



## Assumptions

Tax rates apply as indicated.

Effective net IRR gives the equivalent growth on the investment (net of EIS tax reliefs) over 3 years.

The figures in this section are examples only. They are not, and should not be, construed as forecasts or projections of the likely performance of the investment described in this document.

## Dividend Policy

It is not anticipated that the Company will pay any dividends during the initial trading period of 3 years. This does not preclude the Directors from declaring a dividend if they consider it appropriate at a point in the future.

## Exit Strategy

The Board intends to seek the views of the Shareholders regarding the future activities of the Company after 3 years, and will also put forward proposals to enable investors to realise their investment. There is likely to be a number of options available, the principal ones of which are described hereafter.

### 1) Trade sale

If the Company has established a successful track record, it might prove to be an attractive acquisition target and, if a cash offer were to be made, Shareholders would be able to realise their investment.

After 3 years the Company expects to have developed and successfully exploited a number of games. It may have one or more Equity Stubs which have a residual value. Continuing development work

is likely to require working capital but the Directors will actively explore ways of structuring the business to make it attractive to a trade buyer and to find such a buyer. This could involve combining with Other Games Development Companies if to do so enhances the value of the overall package.

### 2) Voluntary liquidation

The Company could cease trading and could then be liquidated so that funds could be returned to Shareholders. In the event of liquidation or reduction of capital, all Shareholders are entitled to participate in the return of assets (after payment of all liabilities) pro-rata to their shareholding.

### 3) Share buy back

After 3 years the Directors will consider the possibility of a share buy back. In this situation, the Shareholders would receive cash in exchange for their Shares.

### 4) Flotation

In addition, the Directors recognise that a flotation on a public stock market (such as the Alternative Investment Market) could provide an attractive exit route for Shareholders if the Company (possibly in conjunction with Other Games Development Companies) has achieved an appropriate track record of performance and has a sufficient market capitalisation. If a flotation were to take place, this should subsequently enable Shareholders to realise their investment if they so wish.

Other opportunities may also arise over the next 3 years and the Directors will monitor these matters regularly and consult with Shareholders.



## BOARD AND ADVISERS

The registered office of the Company is Chancery Pavilion, Boycott Avenue, Oldbrook, Milton Keynes, MK6 2TA. The Board of the Company comprises 2 individuals who between them have many years experience in their respective fields. Each of the Director's short biographies is set out below:



### **Morgan O'Rahilly: Director**

Formerly with Sony Computer Entertainment and Atari, Morgan owned and ran iFone Ltd, a mobile games publisher established in 2000 and sold to a US competitor in 2006. He was CEO of Emote Games, an online games publisher from 2007 to 2009, and founded Standfast Interactive Ltd in June 2010. Morgan has produced over 100 titles across most games platforms and has over his career invested a total of £34M in development capital, generating just over £590M in revenues and £300M in profits. Over his career Morgan has been responsible for the production and delivery of several hit and award-winning Games including Formula 1 95 and 97, Mission Impossible, Driver, Sonic The Hedgehog, Tetris, Lemmings, V-Rally, Wipeout and many more.

### **Peter Nichols: Director**

Peter's career has spanned 41 years, during which he worked with HM Revenue and Customs, KPMG and Rawlinson & Hunter. Peter is the Founding and Senior Partner of the Chancery Group of businesses, which he formed in 1997 and which now has a staff of 50. His primary focus is raising funds for and managing start-up SME businesses. He also has expertise in film, media, property, and alternative investments.

The two key members of the operational team are:

### **Noel Boland: Finance Officer**

With a background in general accounting Noel worked with Morgan O'Rahilly for 8 years as the Finance Director of iFone Ltd, and later, Emote games. Noel has significant experience in working with UK R&D Tax Credits and in agreeing approvals from HMRC for credits against development investment. He is also very experienced in digital content sales and resultant cashflows, having been involved in online sales cycles in the games industry since the advent of downloadable content (over 8 years).

### **Enda Carey: Publishing Officer**

Formerly with Game Ltd., Sony Computer Entertainment, iFone and North-West Vision, Enda has worked across both retail and digitally delivered games demonstrating considerable expertise in product selection, distribution and marketing. Over the last 15 years Enda has focused on propositioning both branded and original games content to consumers. He is an expert on both the acceptance criteria of distributors and expectations of consumers. Enda has been involved in online sales cycles since 2000 and has a deep understanding of online sales strategies and mechanics as well as clear strategic understanding of the evolution of online sales channels.

## **Advisers to the Company**

### **Distributor**

Chancery (UK) LLP, Chancery Pavilion, Boycott Avenue, Oldbrook, Milton Keynes, MK6 2TA

### **Games Adviser**

Standfast Interactive Limited, 5 Parkfield Mews, Little Parkfield Road, Liverpool, L17 8UD

### **Legal Adviser**

Davenport Lyons, 30 Old Burlington Street, London W1S 3NL

### **Auditor**

Mazars LLP, the Pinnacle, 160 Midsummer Boulevard, Central Milton Keynes, MK9 1FF

### **Taxation Advisers**

Chancery Tax LLP, Chancery Pavilion, Boycott Avenue, Oldbrook, Milton Keynes, MK6 2TA

### **Company Secretarial Services**

Provided through Mazars Corporate Finance Ltd, Tower Bridge House, St Katherine's Way, London, E1W 1DD



## Conflicts of interest

The Directors, the Games Adviser and other advisers with which any of them or their principals are associated may, from time to time, act as investment manager, manager, custodian, registrar, broker, administrator, investment adviser or dealer in relation to, or be otherwise involved in, other businesses or funds established by parties other than the Company which have similar objectives to those of the Company. It is, therefore, possible that any of them may, in the course of business, have potential conflicts of interest with the Company.

Each will, at all times, have regard in such event to its obligations to the Company and will endeavour to ensure that such conflicts are resolved fairly. In addition, subject to any applicable law, any of the foregoing may deal, as principal or agent, with the Company, provided that such dealings are carried out as if effected on normal commercial terms negotiated on an arm's length basis.

The Games Adviser or any of its affiliates or any person connected with it, may directly or indirectly, invest in or manage or advise other investment funds or accounts

which invest in assets which may also be purchased or sold by the Company. Neither the Games Adviser nor any of its affiliates nor any person connected with it is under any obligation to offer investment opportunities of which any of them becomes aware to the Company or to account to the Company in respect of (or share with the Company or inform the Company of) any such transaction or any benefit received by any of them from any such transaction, but will allocate such opportunities on an equitable basis between the Company and other clients.

In particular, the Games Adviser and the Distributor are sponsoring capital raising activities by the Other Games Development Companies. In the event that such fund raisings are successful, the Company may enter into arrangements to share revenue from games across a slate of projects with the Other Games Development Companies. One or more of the Directors may serve on the board of the Other Games Development Companies. In any event, the Directors shall declare any conflict of interests at board level and endeavour to deal with any such conflicts equitably and transparently. Any Shareholder may ask to be considered for appointment as a Director.

## MATERIAL CONTRACTS AND AGREEMENTS

### Distributor Agreement

Chancery has been appointed by the Company to act as Distributor of the Information Memorandum to assist with the fund raising exercise pursuant to the Private Placing. Subject to the Minimum Amount being achieved, the Company will pay the Distributor a one-off fee of 5% plus VAT of funds raised by the Company. This will cover all the costs of fundraising for the Company, including the cost of introducers' commissions, the preparation and issue of this document and all relevant documentation. In addition, the Distributor shall receive an annual fee of 1% plus VAT of the funds raised, as set out on page 25, and be entitled to participate in the performance fee as set out on page 25.

### Games and Administrative Services Agreement

The principal role of Standfast pursuant to the Games and Administrative Services Agreement will be to advise on the sourcing and development of suitable Games and their exploitation. The appointment of

the Games Adviser shall be made by the Company. In the process of so doing, Standfast will advise on a total funding package for each Game and will be entitled to receive a fee, paid out of the Games budget, for which it will not be required to account to the Company.

For its services, and in order to meet a variety of other costs, Standfast will be charging a per annum fee equivalent to approximately 1% plus VAT of the funds raised as set out on page 25 and shall be entitled to participate in the performance fee as set out on page 25.

Under this agreement, Standfast will provide administrative support services; it may delegate some of these duties to Chancery. These services shall include project management, accounting and related services and the provision of the registered office and preparation of annual accounts. The costs for the provision of such services shall be included within the annual fee.





## COSTS AND FEES



### Establishment Costs

The total costs and expenses of establishing the Company and preparing and issuing this document are payable by the Company. These may be shared with any Other Games Development Companies pro rata based on the level of Share subscriptions received by each as a percentage of the aggregate for all Companies combined in the current tax year 2011/2012. For the avoidance of doubt, the Establishment Costs are in addition to the Initial Fees, and are not expected to exceed £75,000.

### Company Secretarial Fee

During the period of fundraising, the costs of company secretarial work will be met within the Establishment Costs above. In subsequent years a fee will be levied which is not anticipated to exceed £1,000 plus VAT per annum.

### Directors' Fees

It is anticipated that the two Directors' Fees will be £10,000 each, which will be deferred and only paid when profitability permits.

### Other Fees and Expenses

It is anticipated that Games project costs (e.g. legals) will be covered within the budget for each Game. However, any direct costs incurred by a Company or Other Games Development Companies as a whole in the future will be payable by the Company or Other Games Development Companies (pro rata).

The Games Adviser and Distributor may be engaged on a project basis in the development of a Game and shall be entitled to a fee as a line item out of the development budget.

### Initial Fees

The Company will pay the Distributor a one-off fee of 5% plus VAT of all funds raised by the Company. This will cover all the costs of fundraising for the Company, including the costs of marketing and normal levels of 'introducers' commissions.

### Annual Fees

The Games Adviser and Distributor will each receive an annual fee of 1% plus VAT of the funds raised, payable annually in advance.

### Performance Fee

The Games Adviser and Distributor will share in an entitlement to a Performance Fee of 25% of returns in excess of 110% of the Investors' original subscription disregarding any deemed return equivalent to 30% accessed by means of EIS Income Tax Relief. This will be calculated on exit.



## RISK FACTORS

This investment opportunity may not be suitable for all the recipients of this IM. **Prospective investors are reminded that investment in unquoted shares carries higher risks than investment in quoted shares.**

An investment in the Company is speculative and involves a degree of risk due to the nature of the stated and likely trading activities, strategies, and techniques employed in the Company's business. Accordingly, an investment in the Company is suitable only for persons of adequate financial means, who have no requirement for liquidity and who can bear the economic risk, including the possible complete loss of their investment. Where an investor has utilised a loan facility to finance some or all of this subscription for Placing Shares, there is an increased risk and investors should not rely on any returns from the Company in order to repay such borrowings.

Prospective investors should give consideration to the risk factors that follow in evaluating the suitability of an investment in the Company. The following list of risk factors and other considerations does not purport to provide a complete explanation of the risks and other factors involved in this offering. Prospective investors should read this IM in its entirety and discuss its contents with their professional advisers (financial, legal and otherwise) before deciding whether to invest in the Company.

### Financial Returns

The Company's trading strategies should be considered to be speculative. The success of the Company will be dependent upon many factors. No assurance can be given that the strategies employed by the Company will be successful. Subscribing for Placing Shares therefore carries risk, particularly given the speculative nature of the computer game development industries.



The value of the investment may go down as well as up, and an investor may not get back the amount he or she invests. No guarantees as to performance are given either expressly or by implication. Events in the past, or experience derived from these, or indeed present facts, beliefs or circumstances, or assumptions derived from any of these, do not predetermine the future. Projections contained in this IM are no more than that and should not be taken as forecasts.

### Financial Services Compensation Scheme

The opportunity to invest in the Company is not regulated by the FSA and the subscription for Placing Shares will not be covered by the Financial Services Compensation scheme, or any other compensation scheme.

### Counterparty Risk

The Company will be subject to the risk of the inability of any counterparty to perform with respect to transactions, whether due to insolvency, bankruptcy or other causes. The Company will seek to assess the solvency risk posed by counterparties but, in the event of insolvency, a counterparty may default on its obligations and any security held by the Company may have reduced value or be worthless.

### Game Risks

The success of the Company's intended trading activities will depend, to a great extent, upon the correct assessment of the opportunities in the games industry. The commercial success of a game cannot be guaranteed and there is always a possibility that a game may fail to perform. This will detrimentally affect the value of the Company's Shares. A game may go over budget, which may reduce any return to the Company and require funding from elsewhere. Financial commitments to games may prove to be valueless. The Company may also be exposed to the disruption of development or production. The income from a game or other media rights may fluctuate and investors should not rely on estimates of income. Income may be zero.

The economic success of an entity, which is involved in the creation and exploitation of video games and web applications is greatly dependent upon the public acceptance of these video games and web applications, compared with the cost of the development and publishing.



Audience appeal depends upon factors which cannot be ascertained with certainty in advance and over which the Company may have no control, including, among other things, release patterns, current events, positioning in the various markets and changing public taste.

Many video games and/or web applications fail to generate sufficient revenues to recover their costs of development and publishing. Further, games often have an unexpectedly poor financial performance despite the involvement of well-known and established developers, high production values and/or a large promotional and advertising budget. No assurances can be given that the Company's video games and/or web applications will be profitable.

The risks of video game and/or web application exploitation can be accentuated when audience appeal and other intangible factors must be forecast for multiple territories and the varying audience tastes and distribution practices associated with each territory.

Although the Company attempts to manage such risks in its course of multi-territory operations, nonetheless the commercial potential of any video game and/or web application cannot be accurately predicted and, as such, there can be no assurances that the development, publishing and distribution decisions of the Company as to any game will result in profits or that the Company will not experience significant losses.

Many independent development companies involved in one or more of the production and distribution of video games and/or web applications have failed and ceased operations. There can be no assurances that the Company will not fail to meet its business objectives and be forced to curtail or cease its operations.

Revenues and results of the Company's operations will be significantly dependent upon the timing of its Games releases and the unpredictable commercial success of the Games.

The Company expects that results from operation, loans and/or co-venture financing, will be sufficient for the Company to pursue its current plan of operations. However, there can be no assurance that a sufficient level of revenues will be attained to fund operations or that unanticipated costs will not be incurred. Future events, including problems, delays, expenses and difficulties frequently encountered in video game and/or web application

production by similarly situated companies, as well as changes in economic, regulatory or competitive conditions, may lead to cost increases that could make it necessary for the Company to seek additional financing.

The success or failure of any game cannot be reliably predicted. Aside from the uncertainty of public or critical reaction to a game, there are certain risks involved in the production of any game, many of which may materially delay completion of a game or make completion impossible, in which event the consequences may be material and adverse. Such risks include, but are not limited to, labour disputes, death or disability of a key developer, unavailability of necessary equipment, destruction of the completed video game and/or web application source code, destruction or malfunction of equipment, and the inability of development personnel to comply with budgetary or scheduling requirements. Significant difficulties such as these may materially increase the costs of production or may cause the entire project to be abandoned. To some extent these risks can be minimized by insurance. However, it is not possible to insure against all risks and, it is sometimes impossible to continue development, notwithstanding the receipt of insurance proceeds. No assurance can be given that such insurance will continue to be available to the Company or if available, available at reasonable premiums.

## **Concentration of Investments**

Where appropriate from an investment and risk management perspective, the Company will attempt to diversify its commitments. However, this may not always be possible and, accordingly, the Company's portfolio may at times be moderately or heavily concentrated. This may lead to a higher level of volatility.

The risk of the Company being exposed to a concentrated portfolio will be exacerbated if none of the Other Games Development Companies raises sufficient capital to start trading, so that the opportunity to diversify the portfolio cannot be achieved. In those circumstances, the Company will proceed with its business, but will not have the advantage of access to a broader slate of Games.

The success of the Company may be influenced by conditions in different economic zones. Such conditions may affect the level and volatility of interest rates and the extent and timing of participation in those zones.

## RISK FACTORS

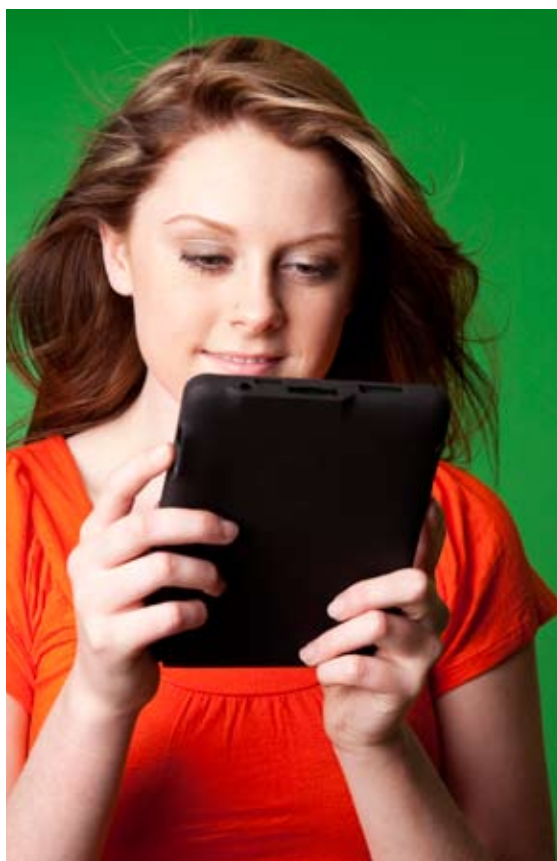
### Copyright Infringement

There is a possibility that any given game developed and/or produced by the Company may be subject to a claim of an infringement of intellectual property rights. Games developers will indemnify the Company and the Game Adviser, on behalf of the Company, will conduct its own due diligence to ensure suitable chain of title exists but there can be no guarantee that the owner of the asset does not have, in some manner, incomplete or defective title to the IPR. Such title shortcoming or defect could result in legal challenges by other claimants to the IPR.

### Legislation and Tax

This IM is prepared in accordance with current UK legislation and practice and the advisers' interpretation thereof. Legislation, rule and practice may change and the interpretation thereof may not be correct. Changes in legislation may adversely affect an investor's position. New legislation or changes in practice or legislation may have a retrospective effect.

Any prospective investor should seek opinion from a qualified professional with regard to the implications of an investment from a legal and tax perspective.



The Company has received approval from HMRC that a subscription in Placing Shares should qualify for the taxation advantages offered under EIS. However, neither the Company, the Directors, nor the Company's advisers give any warranties or undertakings that EIS Income Tax Relief, EIS CGT Exemption or EIS Deferral Relief will be available, or that, if given, such relief will not be withdrawn. If the Company ceases to trade during the period of 3 years from the time of the investment, this could prejudice its qualifying status under EIS.

### Conflicts of Interest

The members of the Games Adviser may be interested in the games recommended to the Company. Accordingly a conflict of interest may arise between the Games Adviser, its members and the Company from time to time. The Games Adviser shall declare any such interest to the Company prior to recommending a project. The parties involved will seek to resolve any such conflict in an equitable manner. In any event, neither the Games Adviser, nor its members or directors, shall be required to account to the Company for any profits enjoyed by their participation in projects outside the business of the Company, regardless of whether these compete with the Company's strategy.

There is also the possibility of conflicts of interest arising within the arrangements established with the Other Games Development Companies. Please see page 23 for further details of this and proposals as to how such risk will be managed.

### Retention of Key Personnel and Advisers

The performance of the Company depends to a large extent on the experience and skills of the key personnel employed by the Company and its advisers, in particular the Games Adviser and its principals.

### Term

The Company will be engaged in trading activity and the opportunity described in this IM is not, therefore, suitable for those looking for a short term investment gain.

### Restricted Market

Opportunities for investors to dispose of their Placing Shares are severely constrained. There is no established market in the Placing Shares. Investors may have difficulty in selling or realising their Placing Shares or obtaining reliable information about their value.



## APPENDIX 1 - GLOSSARY

**'Accounting Period'** - The period for which the Company will draw up its annual accounts. The first Accounting Period will end on 31 March 2012 and thereafter be yearly.

**'CAGR'** - Compound Annual Growth Rate.

**'Chancery'** - Chancery (UK) LLP of Chancery Pavilion, Boycott Avenue, Oldbrook, Milton Keynes, MK6 2TA.

**'Company'** - Invest2Play Ltd, registered in England and Wales, Company number 7602207.

**'Davenport Lyons'** - The firm of solicitors, Davenport Lyons of 30 Old Burlington Street, London, W1S 3NL.

**'Distributor'** - Chancery (UK) LLP of Chancery Pavilion, Boycott Avenue, Oldbrook, Milton Keynes, MK6 2TA.

**'EIS'** - The Enterprise Investment Scheme as set out in UK tax legislation.

**'EIS Income Tax Relief'** - Income Tax Relief and/or exemption from tax on chargeable gains which is available with EIS.

**'EIS CGT Exemption'** - Exemption from tax in respect of chargeable gains on the realisation of Ordinary Shares which is available with EIS.

**'EIS Deferral Relief'** - Capital Gains Tax Deferral on reinvestment pursuant to section 150C and schedule 5B of TCGA 1992.

**'Equity Stubs'** - The equity share of continuing revenue streams once the Game has reached the end of its significant revenue-earning period.

**'FSA'** - Financial Services Authority.

**'GAAP'** - Generally Accepted Accounting Principles as applicable in the United Kingdom.

**'Game'** - A video game which the Company produces or co-produces, either in its own capacity or via an SPV.

**'Games Adviser'** - Standfast Interactive Ltd, registered in England and Wales, Company number 7602207.

**'Games Developer'** - A software company specialising in the development of computer games.

**'Games Distributor'** - Companies (usually international) engaged in the distribution of electronic hardware and/or software.

**'Games Projects Document'** - an insert to this IM illustrating current proposed Games with relevant projections.

**'HMRC'** - HM Revenue & Customs.

**'IM'** - This Information Memorandum.

**'Investor'** - A person who acquires Ordinary shares pursuant to this offer.

**'IRR'** - Internal Rate of Return, being the annualised discount rate at which the net present value of the relevant cashflows sum to zero.

**'ITA'** - The Income Tax Act 2007 (as amended).

**'Loss Relief'** - Relief from income or capital gains tax given in respect of an Individual Member's status as a Member of the Company in accordance with ITA 2007 sections 64 and 72.

**'Microsoft'** - Microsoft Corporation Inc, a multinational corporation based in Seattle, Washington, USA, owner of the X-Box platform.

**'Minimum Amount'** - The minimum amount to be raised for the Company pursuant to this Offer. The Directors consider this to be subscriptions aggregating £500,000.

**'Nintendo'** - Nintendo Co., Ltd, a multinational corporation based in Kyoto, Japan, owner of the Gameboy and Wii platforms.

**'Ordinary Shares'** or **'Shares'** - Ordinary Shares of £0.01p each in the Company.

**'Other Games Development Companies'** - The other games development companies, sponsored by the Games Adviser and the Distributor, conducting fund raising exercises by means of a private placing of shares with a view to conducting business in the production or co-production of Games with advice from the Games Adviser.

**'Placing or Offer'** - The private placing of the Placing Shares on the terms and conditions set out in this document.

**'Placing Price'** - £1 per Ordinary Share.

## APPENDIX 1 – GLOSSARY

**‘Placing Shares’** or **‘Offer Shares’** – Up to 2,000,000 new £0.01p Ordinary Shares being the subject of the placing.

**‘Playstation’** - A series of games consoles developed by Sony Computer Entertainment.

**‘Relevant Period’** or **‘Offer Period’** – The period beginning on the date the Placing Shares are issued and ending 3 years after that date, or 3 years after the commencement of the Company’s business, whichever is the later.

**‘R&D Tax Credit’** - Research & Development Relief, a Corporation Tax relief that, for a small or medium sized enterprise, may take the form of a cash sum paid by HMRC.

**‘Shareholder’** - A holder of Ordinary Shares in the Company.

**‘Sony’** - Sony Computer Entertainment Europe, owner of the Playstation and PSP platforms.

**‘SPV’** - Special Purpose Vehicle, a company to be set up by the Company to develop a particular game.

**‘Steam’** - A digital distributor, digital rights management, multiplayer and communication platform developed by Valve Corporation.

**‘TCGA’** - The Taxation of Chargeable Gains Act 1992.

**‘UK’** - United Kingdom of Great Britain and Northern Ireland.

**‘Vertical Slice’** - A single prototype of both the technology and the gameplay of a proposed game, but with only limited illustrative content, as further described on page 10 of this IM.

**‘Wii’** - A home video game console manufactured by Nintendo.

**‘XBOX’** - A Sixth generation video game console manufactured by Microsoft.



## APPENDIX 2 - GENERAL AND STATUTORY INFORMATION

The information in this section includes a summary of some of the provisions of the Memorandum and Articles of Association.

### The Company

The Company was incorporated on 13 April 2011 (company no. 7602207).

### Share Capital

The authorised share capital of the Company is £20,000 divided into 2,000,000 Ordinary Shares of £0.01p each.

The Company currently has no subsidiaries.

### Articles of Association

The constitution of the Company is defined in the Memorandum and Articles of Association.

The Articles contain, inter alia, provisions to the following effect:

#### Allotment of Shares

The Directors are generally and unconditionally authorised to exercise any power of the Company to allot the authorised share capital of the Company and may do so at any time before the date of the fifth anniversary of the adoption of the Articles of Association. Pre-emption rights on issue in favour of the existing Shareholders apply after the issue of shares in the initial allotment.

#### Transfer of Shares

The Directors may in their absolute discretion decline to register the transfer of a share, whether or not it is a fully paid share.

#### Lien

The Company shall have a first and paramount lien on every share for all monies (whether presently payable or not) payable by the shareholder or his/her estate to the Company.

#### Appointment of Directors

It is anticipated that the Company will appoint at least two Directors.

The Directors shall not be required to retire by rotation.

#### Borrowing Powers of Directors

The Directors may exercise all the powers of the Company to borrow money without limit as to amount and on such terms as they think fit, and to



grant any mortgage, charge or standard security over its undertaking, property and uncalled capital, or any part thereof, and to issue debentures, debenture stock, and other securities whether outright or as security for any debt, liability or obligation of the Company or of any third party.

#### Dividend Distributions

If a dividend is declared, all Shareholders will be entitled to participate equally (pro rata to the number of Shares held by each Shareholder) in the dividend.

#### Return of Assets

On a liquidation, reduction of capital or otherwise (after payment of all liabilities) all Shareholders will be entitled to participate equally (pro rata to the number of shares held) in the return of assets.

#### Rights of Shareholders

All Ordinary Shares rank pari passu as to voting, rights to income and rights to the return of capital. Directors and Directors' interests  
A full list of the directorships of the Directors, along with their interests in any partnerships or limited liability partnerships is available upon request.

## APPENDIX 2 – GENERAL AND STATUTORY INFORMATION

As at the date of this document, neither of the Directors has:

- (i) any unspent convictions in relation to indictable offences; or
- (ii) been declared bankrupt or made any individual voluntary arrangement; or
- (iii) been a director of a company at the time of or within the 12 months preceding any receivership, compulsory liquidation, creditors' voluntary liquidation, administration, voluntary arrangement or any composition or arrangement with creditors generally or any class of creditors; or
- (iv) been a partner or in a partnership at the time of or within the 12 months preceding the partnership being subject to a compulsory liquidation, administration or partnership voluntary arrangement; or
- (v) had any asset subject to receivership or been a partner of any partnership at the time of or within the twelve months preceding any asset of such partnership being subject to a receivership; or
- (vi) been subject to any public criticism by statutory or regulatory authorities (including recognised professional bodies), nor disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.

### Directors' Remuneration

Directors are entitled to be reimbursed for reasonable costs and expenses incurred on behalf of the Company upon the production of relevant receipts and vouchers. The fees payable are set out on page 25.

### Indemnity

Each Director shall be entitled to the benefit of an indemnity from the Company ('Indemnity'). Such Indemnity shall be a 'qualifying third party indemnity provision' for the purposes of the Companies Act. Accordingly, pursuant to such Indemnity, the Company would be obliged to provide the relevant director or officer with funds to meet expenditure incurred or to be incurred:

- (i) in defending criminal proceedings or civil proceedings; and
- (ii) in applying for relief from liability under the Companies Act.

The Indemnity would not, however, indemnify the relevant director against any liability he incurs:

- (i) to the Company or an associated company;
- (ii) to pay a criminal fine or a regulatory penalty;
- (iii) in defending criminal proceedings in which he is convicted; or
- (iv) in an unsuccessful application for relief under the Companies Act.

### Documents available for inspection

Copies of the following documents may be inspected free of charge during normal business hours Monday to Thursday (public holidays excluded) at the registered office of the Company:

- (A) the Memorandum and Articles of Association;
- (B) the agreements referred to under 'Material Contracts' on page 24.

### Transfer of Shares

There is in general no restriction on the transferability of the Ordinary Shares. Any transfers of Ordinary Shares shall be effected in writing by an instrument approved by the Directors. The Directors retain the right to refuse any transfer of Ordinary Shares and suspend any transfer of Ordinary Shares.

### Working Capital

The Directors consider that, taking into account the net proceeds of the Placing after receiving subscriptions for the Minimum Amount, the Company will have sufficient resources for present requirements.

### Reporting to Investors

The Company will send the audited annual report and accounts to investors. Progress reports will also be issued to investors from time to time.

### Information Memorandum

Further copies of this document, which is dated July 2011, will be available free of charge during normal business hours Monday to Thursday (Public holidays excluded) from Chancery (UK) LLP, Chancery Pavilion, Boycott Avenue, Oldbrook, Milton Keynes, MK6 2TA.



## APPENDIX 3 – TERMS AND CONDITIONS OF APPLICATION

1. The right is reserved by the Company to present all cheques and bankers' drafts for payment on receipt and to retain surplus application monies pending clearance of successful applicants' cheques. The Company also reserves the right to reject, in whole or in part, any application. If any application is not accepted in full or if any contract created by acceptance does not become unconditional, the application monies or, as the case may be, the balance thereof will be returned by crossed cheque through the post in favour of the applicant, at the risk of the person entitled thereto, within 7 days of the closing offer.
2. By completing, signing and delivering an Application Form you:
  - 2.1 offer to subscribe for the number of Shares specified in your Application Form (or such lesser number for which your application is accepted) at the offer price of £1.00 per Share on the terms of and subject to this document, including these terms and conditions, and the Articles of Association of the Company;
  - 2.2 agree that, in consideration of the Company agreeing that it will not issue or allot any Shares to any person other than by means of the procedures referred to in this document, your application shall be irrevocable, and this paragraph shall constitute a conditional contract between you and the Company which will become binding upon receipt by Mazars Corporate Finance Limited of your Application Form and payment;
  - 2.3 confirm and warrant that your remittance will be honoured on first presentation;
  - 2.4 confirm and agree that any monies returnable to you may be retained by the Company pending clearance of your remittance and that such monies will not bear interest;
  - 2.5 confirm and agree that all applications, acceptances of applications and contracts resulting therefrom under the Offer shall be governed by and construed in accordance with English law, and that you submit to the jurisdiction of the English Courts and agree that nothing shall limit the right of the Company to



## APPENDIX 3 – TERMS AND CONDITIONS OF APPLICATION

- bring any action, suit or proceedings arising out of or in connection with any such applications, acceptances of application and contracts in any other manner permitted by law or in any court of competent jurisdiction;
- 2.6 confirm that in making such application you are not relying on any information or representation in relation to the Company other than the information contained in this document and accordingly you agree that no person responsible solely or jointly for this document or any part thereof or involved in the preparation thereof shall have any liability for any such other information or representation;
- 2.7 agree that, having had the opportunity to read this document, you shall be deemed to have had notice of all information and representations concerning the Company contained herein;
- 2.8 confirm that in making this application you simply want the transaction executed and that you are not looking to the Company or Games Adviser or Distributor for advice about the merits of investment or its suitability for you;
- 2.9 confirm that you have taken such independent advice in relation to the Offer as you considered appropriate before submitting the Application Form;
- 2.10 confirm, represent and warrant that you have read and complied with paragraph (3) below and that you are not person(s) otherwise prevented by legal or regulatory restraints from applying for the Shares, nor acting on behalf of any such person(s) on a discretionary basis or as a nominee or agent for any person;
- 2.11 confirm, represent and warrant that you are not, and that you are not applying for the account or benefit of any person who is a US person (as defined in Regulation S under the United States Securities Act of 1933, as amended) or a citizen or resident of the United States, Canada, Australia, Japan, the Republic of Ireland or South Africa and that you are not applying for the issue of the Shares on behalf of or with a view to the re-offer, re-sale, transfer or delivery of the Shares to or for the benefit of any person(s) resident in the United States, Canada, Australia, Japan, the Republic of Ireland or South Africa;
- 2.12 warrant that you are not under the age of 18;
- 2.13 confirm and agree that all documents and cheques sent by post to, or on behalf of the Company, will be sent at the risk of the person(s) entitled thereto; and
- 2.14 request that a definitive share certificate for the number of Shares in respect of which this Application is accepted, together with a cheque, if applicable, for any surplus application money, be issued to you.
3. No person receiving a copy of this document or an Application Form in any territory other than the UK may treat the same as constituting an invitation or offer to him/her, nor should they in any event use such Application Form unless, in the relevant territory, such an invitation or offer could lawfully be made to him/her or such Application Form could lawfully be used without contravention of any registration or other legal requirements. It is the responsibility of any person outside the UK wishing to make an application hereunder to satisfy himself/herself as to full observance of the laws of any relevant territory, any other formalities requiring to be observed in such territory and paying any issue, transfer or other taxes required to be paid in such territory.
4. Applicants are encouraged to submit their Application Forms early in order to be confident that their applications will be successful. In the event that applications are received for an amount in excess of the maximum subscription under the Offer, the Directors reserve the right to exercise their discretion in the allocation of successful applications, although the allocation will usually be on a first come first served basis. The right is also reserved to reject in whole or in part any application not in all respects completed in accordance with the instructions relating to the Application Form.
5. Save where the context otherwise requires, words and expressions defined in this document have the same meaning when used in the IM and any explanatory notes in relation thereto



## APPENDIX 4 - GUIDE TO APPLICATION FORMS

In order to make an application to subscribe for Shares in the Company you must have confirmed that you are a certified High Net Worth Individual and/or Self Certified Sophisticated Investor for the purpose of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005. You must make this declaration when submitting your Application by signing the Statement that is relevant to your circumstances to declare your eligibility for Application. The Statements are provided overleaf. The signed declaration must be returned either prior to or with the Application Form which is outlined below.

The following instructions should be read in conjunction with the Application Form:

1. Insert your full name, address and other details in Block Capitals in Section 1. Applications may only be made by persons aged 18 or over.
2. Insert in Section 2 (in figures) the number of Shares for which you are applying. Your application must be for a minimum of 20,000 shares.
3. Insert in Section 3 (in figures) the amount of your payment. Your cheque or bankers' draft should be for the amount which represents £1.00 multiplied by the number of Shares inserted in Section 2.



4. Sign and date the Application Form. If the Application Form is signed under a power of attorney, such power of attorney or a duly certified copy thereof must accompany the Application Form.
5. Send the completed Application Form together with the cheque or bankers' draft by post, or deliver it by hand, to Invest2Play Limited c/o Chancery (UK) LLP, Chancery Pavillion, Boycott Avenue, Oldbrook, Milton Keynes MK6 2TA, so as to be received no later than 10.00 am on the requested closing date. If you post your Application Form you are recommended to use first class post and to allow at least 2 working days for delivery. Photostat or faxed copies of the Application Form will not be accepted. Applicants are strongly recommended to submit applications and cheques as soon as possible.

In the event that applications are received for an amount in excess of the maximum subscription, Shares will normally be allocated on a first come first served basis. The Directors reserve the right to accept any application in part only or to reject any application.

6. A share certificate will be sent to you incorporating the details included in Section 1 within 30 days of the allotment and issue of Shares under the Offer.
7. If you have any queries on the procedure for application and payment, you should contact Chancery (UK) LLP on 01908 699600.

### Money Laundering Regulations

To ensure compliance with the Money Laundering Regulations 2007, the Company requires verification of identity from any person lodging an Application Form (the 'Applicant') and, without prejudice to the generality of the foregoing, in particular any person who either:

- (i) tenders payment by way of cheque or bankers' draft drawn on an account in the name of a person or persons other than the Applicant; or
- (ii) appears to be acting on behalf of some other person. In the latter case, verification of the identity of any person on whose behalf of the Applicant appears to be acting may be required.

## APPENDIX 4 – GUIDE TO APPLICATION FORMS

Cheques and bankers' drafts must be drawn in Sterling on an account at a UK branch or a bank or building society which is either a settlement member of the Cheque and Credit Clearing Company Limited or the CHAPS and Town Clearing Company Limited or a member of either of the Committee of Scottish or Belfast Clearing Houses or which has arranged for its cheques and bankers' drafts to be cleared through the facilities provided for the members of any of those institutions or that committee and must bear the appropriate sort code number in the top right hand corner.

Where possible Applicants should make payment by their own cheque. If a third party cheque, bankers' draft or building society cheque is used or cheque signed by the bank or building society and which does not quote the name of the Applicant, the Applicant should:

- write his/her name and address on the back of the draft or cheque and, in the case of an individual, record his/her date of birth against his/her name; and
- ask the bank or building society (if relevant) to endorse on the reverse of the draft or cheque the full name and account number of the person whose account is being debited and stamp such endorsement; and
- all applications must be accompanied by 2

documents for personal identification purposes: the first such document must be a certified copy of the Applicant's passport or driving licence; and the second such document must be a bank, building society or credit card statement or a utility bill in the Applicant's name only and showing the Applicant's current residential address, which must be less than 3 months old in each case. A copy of a passport or driving licence should be certified as a true copy of the original by a solicitor, accountant, banker or regulated financial services professional, who should provide their full name, profession and business address as part of the certification.

The above information is provided by way of guidance to reduce the likelihood of difficulties, delays and rejection of an Application Form. Original documents will be returned by post at the Applicant's own risk. Please note that if the above requirements are not fulfilled and suitable evidence of identity cannot be obtained, the application will not be accepted.

**PLEASE NOTE:** By completing this application pack you consent to allow the Games Adviser and Distributor to share any of your personal information which they may hold with each other and such third parties (located within the EU) as the Games Adviser and/or Distributor shall in their sole discretion deem to be in the best interest of the Company and/or deem necessary to adhere to and fulfil their respective roles as defined in this IM. Should you not agree to your personal information being shared in



## ENTERPRISE INVESTMENT SCHEME

### Invest2Play Ltd application form

**1 Personal details**

PLEASE USE BLOCK CAPITALS

<b>Mr, Mrs, Miss or Title</b>			
<b>Forenames (in full)</b>			
<b>Surname</b>			
<b>Address</b>			
<b>Postcode</b>		<b>Daytime Tel No.</b>	
<b>Email</b>			

**2 Placing shares applied for (at the offer price of £1 per share, payable in full on application, on the terms and conditions set out in this application form and the IM dated July 2011 and subject to the Memorandum and Articles of Invest2Play Ltd):**

<b>Shares</b>							<b>Minimum 20,000</b>
<b>Date of birth</b>				<b>National insurance number</b>			
<b>Tax Reference</b>							

\*Or any smaller number of Placing shares for which this application is accepted)

**3 I attach a cheque or bankers' draft for the amount below payable to " Invest2Play Ltd – Client Account"**

or

**I request the bank details so that I may remit the amount electronically to Invest2play Ltd**

<b>Amount</b>	£	
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Please send me (a) certificate(s) confirming my entitlement to Enterprise Investment Scheme tax reliefs.

**4 By signing this form I HEREBY DECLARE THAT:**

- (i) I have received the Information Memorandum dated July 2011 and have read the terms and conditions of application contained at Appendix 3 therein and agree to be bound by them; and
- (ii) To the best of my knowledge and belief, the particulars I have given are correct.

HM Revenue & Customs may inspect this declaration. It is a serious offence to make a false declaration.

Signature

Date

**DELIVERY OF APPLICATION FORM**

Send the completed Application Form, together with the cheque or bankers' draft by post, or deliver it by hand to Invest2Play Limited c/o Chancery (UK) LLP, Chancery Pavillion, Boycott Avenue, Oldbrook, Milton Keynes MK6 2TA

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## INTRODUCTION AND IDENTITY VERIFICATION CERTIFICATE

### PLEASE USE BLOCK CAPITALS

This is required for Money Laundering purposes and must be completed by the Independent Financial Adviser.

#### Client Details

Mr, Mrs, Miss or Title			
Forenames (in full)			
Surname			
Address			
Postcode		Daytime Tel No.	
Email			
Date of birth			

We confirm that the applicant is a "Qualified Investor" pursuant to the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended, as summarised on page 4 of this Information Memorandum.

(Please tick either A or B)

A. We confirm that we have verified the identity of the applicant and that certified copies of the underlying documentary evidence received are enclosed with this certificate and that we have sighted the original documents.

ALTERNATIVELY

B. I/We have not verified the identity and current residence of the applicant.

Explanation	

#### IFA Details

Full name of Regulated Firm	
FSA Regulatory No.	
Signed	
Full name (block capitals)	
Job title	
Date	

In the event that A is deleted, or an exemption or concession has been applied that would not be available to the product provider in the circumstances, then the Company will need to ensure that the identification and current residence evidence is obtained for its records.

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## STATEMENT FOR CERTIFIED HIGH NET WORTH INDIVIDUALS

I declare that I am a certified high net worth individual for the purposes of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005

**I understand that this means:**

1. I can receive financial promotions that may or may not have been approved by a person authorised by the Financial Services Authority;
2. the content of such financial promotion may not conform to rules issued by the Financial Services Authority;
3. by signing this statement I may lose significant rights;
4. I may have no right to complain to either of the following
  - the Financial Services Authority; or
  - the Financial Ombudsman Scheme.
5. I may have no right to seek compensation from the Financial Services Compensation Scheme.

**I am a certified high net worth individual because at least one of the following applies:**

1. I had, during the financial year immediately preceding the date below, an annual income to the value of £100,000 or more;
2. I held, throughout the financial year immediately preceding the date below, net assets to the value of £250,000 or more. Net assets for these purposes do not include –
  - the property which is my primary residence or any loan secured on that residence;
  - any rights of mine under a qualifying contract of insurance within the meaning of the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001; or
  - any benefits (in the form of pensions or otherwise) which are payable on the termination of my service or on my death or retirement and to which I am (or my dependents are), or may be, entitled.

I accept that I can lose my property and other assets from making investment decisions based on financial promotions.

**Signature**

**Date**

**Name**

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## STATEMENT FOR SELF-CERTIFIED SOPHISTICATED INVESTOR

I declare that I am a self-certified sophisticated investor for the purposes of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2001.

**I understand that this means:**

1. I can receive promotions that may or may not have been approved by a person authorised by the Financial Services Authority;
2. the content of such financial promotions may not conform to rules issued by the Financial Services Authority;
3. by signing this statement I may lose significant rights;
4. I may have no right to complain to either of the following
  - the Financial Services Authority; or
  - the Financial Ombudsman Scheme.
5. I may have no right to seek compensation from the Financial Services Compensation Scheme.

**I am a self-certified sophisticated investor because at least one of the following applies:**

1. I am a member of a network or syndicate of business angels and have been so for at least 6 months prior to the date below;
2. I have made more than 1 investment in an unlisted company in the 2 years prior to the date below;
3. I am working, or have worked in the 2 years prior to the date below, in a professional capacity in the private equity sector, or in the provision of finance for small and medium enterprises; or
4. I am currently, or have been in the 2 years prior to the date below, a director of a company with an annual turnover of at least £1 million.

I accept that I can lose my property and other assets from making investment decisions based on financial promotions.

I am aware that it is open to me to seek advice from someone who specialises in advising on investments.

**Signature**

**Date**

**Name**

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## Contact Details

### Mark Stemp

Chancery (UK) LLP  
Chancery Pavilion  
Boycott Avenue  
Oldbrook  
Milton Keynes  
MK6 2TA

+44 (0) 1908 699600  
[mark.stemp@chancerypartnership.com](mailto:mark.stemp@chancerypartnership.com)