

COMPANIES HOUSE COPY

Digital Animal Limited

Report and Financial Statements

Year Ended

31 August 2012

Company Number 07757607



IBDO

Digital Animal Limited

Report and financial statements for the year ended 31 August 2012

Contents

Page

1	Report of the Directors
8	Independent auditor's report
10	Profit and loss account
11	Balance sheet
12	Notes forming part of the financial statements

Directors

M C Heath
M S N Kibble
J A Humphreys
P J Middleton
B K Pedersen

Registered office

c/o Pitsec Limited, 47 Castle Street, Reading, Berkshire, RG1 7SR

Company number

07757607

Auditors

BDO LLP, 125 Colmore Row, Birmingham, B3 3SD

Bankers

Barclays Bank Plc, Retail and Business Banking, 48 Regent Street, London, W1B 5RA

Solicitors

Pitmans LLP, 1 Crown Court, Cheapside, London, EC2V 6LR

Company secretary

Pitsec Limited, 47 Castle Street, Reading, Berkshire, RG1 7SR

Digital Animal Limited

Report of the Directors for the year ended 31 August 2012

The Directors present their report together with the audited financial statements for the year ended 31 August 2012

Incorporation

The Company was incorporated on 31 August 2011

Results and dividends

The profit and loss account is set out on page 10 and shows the loss for the year

Principal activities and review of business

Digital Animal is a social media enabling technology provider. The principal activity of the Company is the provision of social media performance data and metrics and consultancy services that enable its clients to value and leverage their social media interactions.

Formed in August 2011 by its founder and CEO Martin Heath, a serial entrepreneur and successful music industry executive, Digital Animal is an integrated team of specialists from the performance marketing, technology and insurance industries with the broad range of skills and experience to capitalise on opportunities in the social media space.

Digital Animal is organised around three key business sectors - Retail, Entertainment & Media and Financial Services - which the directors believe potentially offer the highest returns and dovetail well with the competencies and experience of the team.

Significant progress has been made in the period since formation of the Company to create a robust, fully-operational and truly scalable business.

Digital Animal Limited

Report of the Directors for the year ended 31 August 2012 (*continued*)

Future trading and liquidity risk

Whilst the Company has made significant progress to promote and grow the business during the financial year and in the post balance sheet period prior to signing these financial statements the results of the Company for the year showed a loss of £1.6m and net liabilities of £1.6m at the year end. However, as noted the Directors are fully confident in the future profitability of the business.

The Company is privileged to have a supportive shareholder base and staff highly experienced in raising funds from the capital markets. The Directors are, therefore, confident that the Company can raise additional capital as and when required to meet working capital requirements.

The directors have prepared profit and cash flow forecasts ("the forecasts") for the period from 1 June 2013 to 31 May 2014 based on current expectations of activity levels. These forecasts show that the Company requires additional funding. Since the reporting period the Company has sought to raise £1.5 million from the private placement of shares to provide the working capital bridge to breakeven. As at the date of signing the financial statements £1.2 million of equity has been successfully raised.

Based on our discussions with potential investors the Directors consider this fund raising should be fully achievable. This additional funding provides the level of funds shown in the forecasts that enable the Company to continue trading for at least the next twelve months from the date of signing these financial statements, providing the revenue shown in the forecasts is achieved. General uncertainty over revenue exists as the company only started trading in 2012. In the event that there are delays in the generation of revenue from product sales there may be a need to seek further funding from shareholders before the end of the next twelve months however if the company is unable to secure the additional revenue and funding required it may be unable to realise its assets and discharge its liabilities in the normal course of business. In dealing with this uncertainty the Directors intend to continue to manage the cash flows of the Company carefully over the forthcoming months and through a range of measures consider that this close management of overheads and payment profiles should enable the Company to continue in a cash positive position through the planned fund raising and subsequent months.

After making enquiries, and considering the uncertainties noted above, the Directors have a reasonable expectation that they will have adequate resources to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis in preparing the annual reports and accounts.

Future developments

On 28 January 2013 the Company was appointed a global partner by IBM for its DDX/Market Center offering, a cloud-based all-in-one solution for marketers providing access to 0.5 million IBM clients. Integration of the Company's technology into IBM's APIs is nearing completion, at which stage the Company will be in a position to access IBM's clients and will be marketed by IBM as part of its Market Centre offering.

On 11 February 2011 Bo Pedersen, previously a partner at Charlotte Street Capital, joined the Company as a Director and as COO.

On 24 April 2013 the Company agreed Heads of Terms with a major US insurance software house servicing 20,000 US Agents. The outline deal foresees a short-term licensing deal, circa \$0.5 million, before progressing to a multi-million USD partnership with US distribution rights.

Digital Animal Limited

Report of the Directors for the year ended 31 August 2012 (*continued*)

Risk management

The Board sets the overall risk appetite and philosophy of the Company. The board establishes the parameters for risk appetite through setting strategic direction, contributing to and approving annual business plans for the Company, and reviewing and monitoring performance in relation to risk through ad hoc reports.

Risk appetite is defined in both qualitative and quantitative terms and is an expression of the maximum level of residual risk that the Company is prepared to accept in order to deliver its business objectives and is assessed on an ad hoc basis.

Through its activities the Company is exposed to a number of financial and non-financial risks. The Company does not use derivative financial instruments and has nominal exposure to these risks.

Principal risks and uncertainties

The Directors believe that, in addition to the entry of new competitors, the principal risks and uncertainties for the Company are changes in one or more of the following: technology, data protection legislation and financial services regulation.

A number of potential competitors already operate in the social media space. These firms could extend their current offerings to compete more aggressively with the Company. Whilst there may be limited barriers to entry to the social media enabling technology market, when it comes to the application of that technology to specific sectors, a thorough understanding of the market place and leverageable business contacts become essential. The Directors believe that the Company is uniquely positioned in its chosen sectors on account of the strength and depth of its market knowledge and the relationships maintained by its senior employees with "C Suite" industry personnel.

The European Data Protection Directive 1995 is currently being updated in response to the quantum leap in technology since its introduction and to achieve greater consistency across the European member states. Changes to EU privacy laws could result in the banning of first-party cookies, severely restricting the ability to target returning customers. The technology employed by the Company uses unique URLs to track users, and proprietary tracking code, and is not reliant on cookies. In addition, the Company is developing device identification technology to legally track users without requiring user opt in. The Company's lawyers have been requested to keep a watching brief on the evolution of legislation in the areas of data protection, social media and financial services so as to enable the Company to respond quickly to legislative changes in both its business model and the design of products, rendering them more innovative and cutting-edge.

On the technology front, social media platforms, for example Facebook, could change their terms and conditions for access, restricting the Company's ability to operate in a particular social network and to use existing APIs. However, many social networks are currently moving in the opposite direction, liberalising their policies towards third-party applications. In addition, the Company uses links and URLs in news feeds and notifications, obviating the requirement for API integration.

In order to mitigate the risk of the Company losing the ability to operate under licence any code developed by third-parties or patented by former employees, the Company has built and owns all its own code and employees surrender their intellectual property rights to the Company via their employment or consulting agreements.

Digital Animal Limited
Report of the Directors
for the year ended 31 August 2012 (*continued*)

Financial risks

The principal financial risks that the Company seeks to manage are as follows

Credit risk

Credit risk is the risk that the Company will incur losses as a result of the failure of clients and counterparties to meet their obligations and arises from holdings of cash and cash equivalents

Such losses are minimised by providing services to clients that satisfy credit worthiness procedures, performing a credit assessment on new clients as appropriate, and by having new clients pay between 16% and 50% of contracted services in advance

Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its cash obligations as they fall due

The Company monitors its liquidity risk by monitoring short-term and long-term cash flow forecasts which identify significant future cash flow requirements and inflows. The Company aims to mitigate liquidity risk by maintaining a mixture of short-term and long-term facilities to ensure that it has sufficient available funds to satisfy daily requirements

Foreign exchange risk

Foreign exchange risk is the risk of adverse changes in currency exchange rates

The Company, which has as its functional currency Sterling, is exposed to depreciation of Sterling relative to the US Dollar because the issued long-term preference share capital is US Dollar denominated

The Company is also exposed to a modest level of operational foreign exchange risk as its turnover is primarily denominated in Sterling and US Dollars whilst its material expenditure is predominantly denominated in Sterling

The Directors are of the opinion that such risk is currently at acceptable levels and will implement an appropriate hedging program as and when appropriate

Digital Animal Limited

Report of the Directors for the year ended 31 August 2012 (*continued*)

Non financial risks

The principal non-financial risks that the Company seeks to manage are as follows

Operational risk

Operational risk is the risk of loss of earnings and/or value resulting from inadequate or failed internal processes, people and systems or from external events. It is inherent within all of the financial risk categories above. Operational risks encompass customer treatment, product development risk, processes and systems risk, change risk, people risk, theft, fraud, legal and regulatory risks and corporate governance risk.

As "people businesses" whose key asset is their people, technology and financial services companies are particularly exposed to the loss of key staff. Although the Company is not an exception to this rule, a number of the key IT engineers have long-standing relationships with the Founder, having worked together for a number of years on a number of different initiatives. To further mitigate this risk, an Enterprise Management Incentive share scheme is to be established for key staff and the Directors to provide an incentive and to help "lock them in". The Company also proposes to use an element of the funds raised from the current private placement to hire additional staff to increase its bench strength.

Reputational risk

Reputational risk is the risk of damage to the Company's trading name, brands and/or corporate identity arising from perceived or actual instances of unethical or disreputable business behaviour.

The Directors recognise that the success of the Company within the sectors it serves is heavily dependent upon demonstrating and maintaining consistently high ethical standards in all business dealings and delivering a high-quality, hassle-free service to clients. The Directors believe that the Company's performance-driven service ethos helps engender a passion for delivering a high-quality service.

Employment of disabled persons

The Company is committed to a policy of recruitment and promotion on the basis of aptitude and ability without discrimination of any kind. Management is sensitive to both the employment of disabled persons whenever a suitable vacancy arises and the continued employment and retraining of employees who might become disabled whilst employed by the Company.

Employee involvement

The Company is committed to involving all its employees in the performance and development of the Company. Its approach to employee development offers continual challenges in the job, learning opportunities and personal development.

The Company encourages all its employees to participate fully in the business through open dialogue. Employees receive news of the Company through senior management presentations, frequent email notices, internal notices and Board statements. The Company maintains a strong communications network and employees are encouraged, through its open-door policy, to discuss with management matters of interest to the employee and subjects affecting day-to-day operations of the Company.

Qualifying third party indemnity provisions

The current Articles of Association of the Company contain an indemnity in favour of the Directors of the Company which indemnifies them in respect of any liability incurred by them in defending any proceedings (whether civil or criminal) in which judgement is given in their favour and costs that they might incur in the execution of their duties as Directors. Copies of the relevant extract from the Articles of Association are available for inspection at the registered office of the Company during normal business hours.

Digital Animal Limited

Report of the Directors for the year ended 31 August 2012 (*continued*)

Post balance sheet events

Details of significant events since the balance sheet date are disclosed in note 16 to the financial statements

Directors

The Directors of the Company during the year were

M C Heath - Appointed 31 August 2011

M D Smith - Appointed 31 August 2011, resigned 1 August 2012

After the year end the following were appointed to the Board M S N Kibble, J A Humphreys, P J Middleton and B K Pedersen G F Hirschfield was also appointed to the Board after the year end and subsequently resigned on 7 May 2013

Directors' responsibilities

The Directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations

Company law requires the Directors to prepare financial statements for each financial year Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period

In preparing these financial statements, the Directors are required to

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

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

Digital Animal Limited

Report of the Directors for the year ended 31 August 2012 (*continued*)

Auditors

All of the current Directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the Company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The Directors are not aware of any relevant audit information of which the auditors are unaware.

BDO LLP were appointed as auditors during the year and have expressed their willingness to continue in office. A resolution to re-appoint them will be proposed at the annual general meeting.

On behalf of the Board



M C Heath

Director

30 May 2013

Digital Animal Limited

Independent auditor's report

To the members of Digital Animal Limited

We have audited the financial statements of Digital Animal Limited for the year ended 31 August 2012 which comprise the profit and loss account, the balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditors

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 August 2012 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter - Going concern

In forming our opinion, which is not qualified, we have considered the adequacy of the disclosures made in the Directors' report and Note 1 to the financial statements concerning the ability of the Company to continue as a going concern. These disclosures indicate that the Company is only able to continue as a going concern if required funds to be obtained through a private placement of shares are obtained. The disclosures also indicate that the Company is then only able to continue as a going concern for at least the twelve month period from the signing of these financial statements if the cash flow expected from product sales is generated or, in the event that such sales are not generated, that additional funding is able to be obtained from a further share issue at an appropriate time. We consider that these conditions indicate the existence of material uncertainties which may cast significant doubt over the Company's ability to continue as a going concern. The financial statements do not include any adjustments relating to these uncertainties.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Digital Animal Limited

Independent auditor's report (*continued*)

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit, or
- the directors were not entitled to prepare the financial statements and the directors' report in accordance with the small companies' regime

BDO LLP

Stephen Ward (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
Birmingham
United Kingdom

31 May 2013

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

Digital Animal Limited

Profit and loss account for the year ended 31 August 2012

	Note	2012 £
Turnover	2	90,727
Cost of sales		652,865
Gross loss		(562,138)
Administrative expenses		1,135,969
Loss on ordinary activities before taxation		(1,698,107)
Taxation on loss on ordinary activities	6	76,972
Loss on ordinary activities after taxation		(1,621,135)

All amounts relate to continuing activities

All recognised gains and losses in the current year are included in the profit and loss account

The notes on pages 12 to 21 form part of these financial statements

Digital Animal Limited

Balance sheet at 31 August 2012

<i>Company number 07757607</i>	Note	2012 £	2012 £
Called up share capital not paid			70
Fixed assets			
Tangible assets	7		6,448
			<u>6,518</u>
Current assets			
Debtors	8	140,078	
Cash at bank and in hand		14,320	
		<u>154,398</u>	
Creditors' amounts falling due within one year	9	1,276,047	
		<u></u>	
Net current liabilities			(1,121,649)
			<u></u>
Total assets less current liabilities			(1,115,131)
Creditors' amounts falling due after more than one year	10		505,934
			<u></u>
			(1,621,065)
			<u></u>
Capital and reserves			
Called up share capital	11		70
Profit and loss account	12		(1,621,135)
			<u></u>
Shareholders' deficit	13		(1,621,065)
			<u></u>

The financial statements were approved by the board of Directors and authorised for issue on 30 May 2013



M C Heath
Director

The notes on pages 12 to 21 form part of these financial statements

Digital Animal Limited

Notes forming part of the financial statements for the year ended 31 August 2012

1 Accounting policies

The financial statements have been prepared under the historical cost convention

The following principal accounting policies have been applied

Going concern

Notwithstanding the loss in the year of £1.6m and net liabilities of £1.6m as at the year end the Directors have prepared the accounts on the going concern basis. The directors have prepared profit and cash flow forecasts ("the forecasts") for the period from 1 June 2013 to 31 May 2014 based on current expectations of activity levels. These forecasts show that the Company requires additional funding. Since the reporting period the Company has sought to raise £1.5 million from the private placement of shares to provide the working capital bridge to breakeven. As at the date of signing the financial statements £1.2 million of equity has been successfully raised.

Based on our discussions with potential investors the Directors consider this fund raising should be fully achievable. This additional funding provides the level of funds shown in the forecasts that enable the Company to continue trading for at least the next twelve months from the date of signing these financial statements, providing the revenue shown in the forecasts is achieved. General uncertainty over revenue exists as the company only started trading in 2012. In the event that there are delays in the generation of revenue from product sales there may be a need to seek further funding from shareholders before the end of the next twelve months, however if the company is unable to secure the additional revenue and funding required it may be unable to realise its assets and discharge its liabilities in the normal course of business. In dealing with this uncertainty the Directors intend to continue to manage the cash flows of the Company carefully over the forthcoming months and through a range of measures consider that this close management of overheads and payment profiles should enable the Company to continue in a cash positive position through the planned fund raising and subsequent months. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

After making enquiries, and considering the uncertainties noted above, the Directors have a reasonable expectation that they will have adequate resources to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis in preparing the annual reports and accounts.

Digital Animal Limited

Notes forming part of the financial statements for the year ended 31 August 2012 (*continued*)

1 Accounting policies (*continued*)

Turnover

Turnover represents sales to external customers at invoiced amounts less value added tax

The Company's primary sources of revenue are as follows

- (a) Software as a Service ("SaaS") subscription fees – fees payable for subscription to the Company's FanDIST social media marketing platform. The SaaS fee comprises fees for (i) the social media performance data collected and collated by the Company, (ii) the design and running of marketing campaigns, (iii) product updates and upgrades, (iv) pre-launch and post-launch account management, and (v) technical support
- (b) Consultancy fees – fees charged either at a fixed rate or on a per diem basis for bespoke social distribution audit, research, strategy development and delivery
- (c) Commissions – a share of the incremental sales achieved by customers through the Company's FanDIST platform
- (d) Contribution to development costs – contributions towards costs incurred by the Company in the development and integration of the Company's FanDIST and associated technology with third-party applications

Fees, commissions and other income receivable are recognised in the period to which they relate. Income is brought into account at the point of invoicing (when the service has been performed) rather than when signed contracts are exchanged. In the case of consultancy fees and contributions to development costs, where there is an expectation of future servicing requirements, a proportionate element of the income is deferred to cover the associated contractual obligations.

Cash at bank and in hand

Cash at bank and in hand comprise cash, demand deposits and other short-term highly liquid investments that are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value.

Tangible fixed assets depreciation

Depreciation is provided to write off the cost, less estimated residual values, of all tangible fixed assets evenly over their expected useful lives. It is calculated at the following rates:

Office equipment - 33% straight line

Foreign currency

Foreign currency transactions are translated into sterling at the rates ruling when they occurred. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet date. Any differences are taken to the profit and loss account.

Digital Animal Limited

Notes forming part of the financial statements for the year ended 31 August 2012 (*continued*)

1 Accounting policies (*continued*)

Current taxation

The tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on the taxable profit for the year. Taxable profit differs from net profit as reported in the financial statements because it excludes items of income or expenditure that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates and law that have been enacted or substantially enacted by the balance sheet date.

Deferred taxation

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that the recognition of deferred tax assets is limited to the extent that the Company anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances are not discounted.

Operating assets

Annual rentals for operating leases are charged to the profit and loss account on a straight-line basis over the term of the lease.

2 Turnover

Turnover is wholly attributable to the principal activity of the Company and arises solely within the United Kingdom.

3 Operating loss

	2012 £
This is arrived at after charging	
Depreciation of tangible fixed assets	3,176
Hire of other assets - operating leases	54,829
Auditors' remuneration - fees payable to the Company's auditor for the audit of the Company's annual accounts	3,500

Digital Animal Limited

Notes forming part of the financial statements
for the year ended 31 August 2012 (*continued*)

4 Employees

Staff costs (including Directors) consist of

	2012 £
Wages and salaries	507,102
Social security costs	32,899
	540,001

The average number of employees (including Directors) during the year was 9

5 Directors' remuneration

	2012 £
Directors' emoluments	204,000

The total amount payable to the highest paid Director in respect of emoluments was £114,000

Digital Animal Limited

Notes forming part of the financial statements
for the year ended 31 August 2012 (*continued*)

6 Taxation on loss on ordinary activities

	2012 £
<i>UK Corporation tax</i>	
Current tax on profits of the year	(76,972)

The tax assessed for the year is lower than the standard rate of corporation tax in the UK applied to loss before tax. The differences are explained below

	2012 £
Loss on ordinary activities before tax	(1,698,107)
Loss on ordinary activities at the standard rate of corporation tax in the UK of 25 16%	(427,244)
Effect of	
Expenses not deductible for tax purposes	21,793
Capital allowances for period in excess of depreciation	(1,623)
Additional R&D deductions	(85,906)
Losses carried forward	329,273
Losses surrendered for R&D tax credit	163,707
Tax credits on R&D expenditure	(76,972)
Current tax credit for the year	(76,972)

7 Tangible fixed assets

	Office equipment £
<i>Cost</i>	
Additions and at 31 August 2012	9,624
<i>Depreciation</i>	
Provided for the year and at 31 August 2012	3,176
<i>Net book value</i>	
At 31 August 2012	6,448

Digital Animal Limited

Notes forming part of the financial statements
for the year ended 31 August 2012 (*continued*)

8 Debtors

	2012 £
Trade debtors	15,237
Corporation tax recoverable	76,972
Other debtors	35,031
Prepayments and accrued income	12,838
	140,078

All amounts shown under debtors fall due for payment within one year

9 Creditors amounts falling due within one year

	2012 £
Loans to associated undertakings	100,000
Trade creditors	146,655
Taxation and social security	19,182
Subscription monies awaiting allocation	882,416
Accruals and deferred income	127,794
	1,276,047

Digital Animal Limited

Notes forming part of the financial statements
for the year ended 31 August 2012 (*continued*)

10 Creditors amounts falling due after more than one year

	2012 £
Loans to associated undertakings	505,934
Maturity of debt	
	Loans 2012 £
In one year or less, or on demand	100,000
In more than two years but not more than five years	502,934
In more than five years	3,000
	505,934

Included in creditors due after more than one year are the following amounts repayable in more than five years

	2012 £
Loans to associated undertakings	3,000

The loan due over five years is interest free

11 Share capital

	2012 £
<i>Allotted, called up and fully paid</i>	
7,000 ordinary shares of £0.01 each	70

Digital Animal Limited

Notes forming part of the financial statements
for the year ended 31 August 2012 (*continued*)

12 Reserves

	Profit and loss account £
Loss for the year	(1,621,135)
At 31 August 2012	(1,621,135)

13 Reconciliation of movements in shareholders' deficit

	2012 £
Loss for the year	(1,621,135)
Issue of shares	70
Net deductions from shareholders' deficit	(1,621,065)
Opening shareholders' funds	-
Closing shareholders' deficit	(1,621,065)

14 Commitments under operating leases

The Company had annual commitments under non-cancellable operating leases as set out below

	Land and buildings 2012 £	Other 2012 £
Operating leases which expire		
Within one year	53,991	-
In two to five years	13,200	28,977
	67,191	28,977

Digital Animal Limited

Notes forming part of the financial statements
for the year ended 31 August 2012 (*continued*)

15 Related party disclosures

Related party transactions and balances

	Amounts owed by related parties £	Amounts owed to related parties £
Related party		
D A Recordings Limited	-	502,934
Lizard King Media Limited	-	100,000
Alignmark Limited	-	3,000

M C Heath is a Director and shareholder of D A Recordings Limited, Lizard King Media Limited and Alignmark Limited

In addition after the year end the £100,000 loan from Lizard King Media Limited was converted from an unsecured, non-interest bearing loan to a interest-bearing loan with interest charged at 10% on amounts outstanding up to £150,000, 12.5% on the next £100,000 and 15% on amounts in excess of £250,000

Digital Animal Limited

Notes forming part of the financial statements for the year ended 31 August 2012 (*continued*)

16 Post balance sheet events

On 10 September 2012, as part of the process of raising £875,560 from new investors, the Company revised its articles, executed a Shareholder's Agreement, redenominated its existing share capital and created new C Share and Preference Share classes of capital, each with a nominal value of £0.001 per share. 21,752 C Shares and 21,752 Preference Shares were issued at the time.

On 21 November 2012 the institutional investor Cap Meridian invested a further £312,600 in return for which the Company issued 7,766 C Shares, 7,766 Preference Shares and 3,463 B Shares, each with a nominal value of £0.001 per share.

On 25 March 2013, in the interests of greater transparency, the articles were revised further to incorporate the main provisions of the Shareholders' Agreement and a number of Reserved Matters regarding operational issues contained in the Shareholders' Agreement were removed and effectively passed to the board. In addition, further equity capital of £651,811 was raised from new and existing investors, for which purpose a new class of EIS approved D Shares was created. To this end, 13,016 D Shares, with a nominal value of £0.001 per share, were issued to new investors at £44.3861 per share, a premium of £577,716, and a further 1,669 C Shares and 1,669 Preference Shares were issued to existing investors, the Preference Shares were issued at £44.3861 per share.

On 24 May 2013 the institutional investor Cap Meridian invested a further £160,459 in return for which the Company issued 3,615 C Shares and 3,615 Preference shares, each with a nominal value of £0.001 per share, valued as per above.

After the year end the subscription monies awaiting allocation of £882,416, included within creditors due within one year, were converted into preference shares. The preference shares are entitled to a first dividend equal to the original subscription price paid by the ordinary shareholders (currently \$1,900,000), following which there is no further entitlement. Pro-rata payments on a dividend or sale are to be made to D A Recordings Limited, a Company controlled by Martin Heath, to repay a loan of £510,000 made to the Company. The preference shares carry no voting rights, however do carry rights to attend and speak at meetings.