

COMPANIES HOUSE COPY

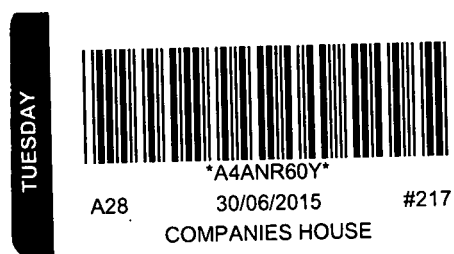
Digital Animal Limited

Report and Financial Statements

Year Ended

31 August 2014

Company Number 07757607



Digital Animal Limited

Report and financial statements for the year ended 31 August 2014

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Directors

N M M Burnell
M P Dodd
J Gregory
M C L Adam
R D Abbott

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

HSBC PLC, 9 Penn Road, Beaconsfield, Buckinghamshire, HP 2PT

Solicitors

Marriott Harrison LLP, 11 Staple Inn, London, WC1V 7QH

Company secretary

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

Digital Animal Limited

Report of the directors for the year ended 31 August 2014

The directors present their report together with the audited financial statements for the year ended 31 August 2014.

Results and dividends

The profit and loss account is set out on page 9 and shows the loss for the year.

Financial instruments

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 contracting with clients of demonstrable credit worthiness, and by internal client adoption procedures.

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 an element of 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.

Post balance sheet events

Details of significant events since the balance sheet date are disclosed in note 17 to the financial statements.

Digital Animal Limited

Report of the directors for the year ended 31 August 2014 (*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 longstanding 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".

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 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.

Digital Animal Limited

Report of the directors for the year ended 31 August 2014 (*continued*)

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 marketing 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 marketing 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 well positioned to develop its business on account of the strength and depth of its market knowledge and the relationships possessed by its directors, senior employees and shareholders with board level industry personnel.

The European Data Protection Directive 1995 is currently under review 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. The Company and its advisors 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. All third party software is Open Source and therefore carries a very low commercial risk.

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.

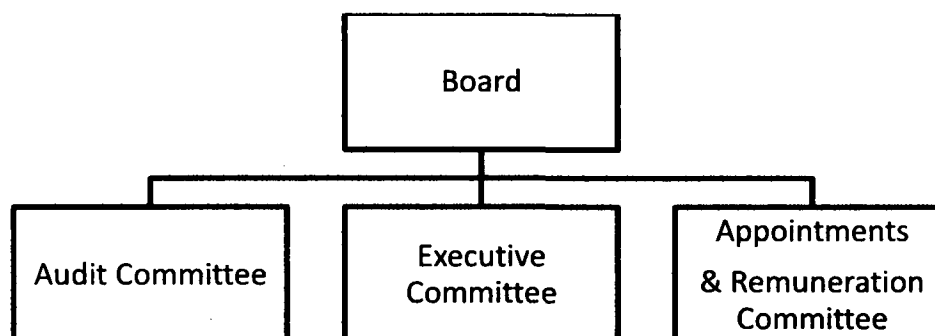
Digital Animal Limited

Report of the directors for the year ended 31 August 2014 (*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.

The following executive sub-committees support the Board in the risk management process:



The Audit Committee, which comprises M Dodd (Chairman), R Abbott and J Gregory, is a sub-committee of the Board whose purpose is to assist the Board in the effective discharge of its responsibilities for corporate governance, including financial reporting and accounting policies, risk assessment and internal control. The Committee reviews the annual financial statements, internal control matters and the scope and effectiveness of the external audit. Senior management and the external auditors normally attend meetings, though attendance is at the invitation of the Committee. The external auditors have unrestricted access to the Committee.

The Appointments & Remuneration Committee, which comprises J Gregory (Chairman), M Dodd and R Abbott, is a sub-committee of the Board with full power and authority (a) to conduct the formal selection of candidates and to propose to the Board new appointments at both the executive and non-executive director level, and (b) to determine the Company's policy on the remuneration of the Chairman, Directors and other senior executives and to determine specific remuneration packages (including pension rights) and compensation packages on employment or termination of office for each of the Directors of the Company and other senior executives. With regard to risk management, the role of the Appointments & Remuneration Committee is to ensure (a) that the Company identifies, evaluates and subsequently selects for appointment directors and other senior executives possessing the requisite skills and experience to ensure that the Company continues to operate effectively following the replacement of the in situ incumbent, and (b) that the remuneration of the Directors and other senior executives attracts, motivates and retains high-calibre personnel, rewarding them for enhancing shareholder value, and ensures that contractual terms on termination are equitable to the individual and the Company and that failure is not rewarded. The Committee invites Directors and other senior executives and external advisers to attend meetings at its discretion.

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.

Digital Animal Limited

Report of the directors for the year ended 31 August 2014 (*continued*)

Future trading and liquidity risk

Whilst the Company has made progress in promoting and growing the business during the financial year and, particularly, in restructuring and refinancing the business in the post balance sheet period prior to signing these financial statements, the results of the Company for the year showed a loss of £1.4 million and net liabilities of £3.8 million at the year end. Following the corporate restructuring and management changes that occurred after the financial year end, however, the Directors are confident in the future prospects of the business.

In the six months after the financial year end, the Company successfully raised new capital of £2.6 million, comprised of £997,444 from new investors, £1.35 million from a placing of shares with two shareholders and £250,000 by means of an underwritten rights issue. In addition, steps have been taken to reduce internal over heads substantially and settle outstanding liabilities.

Given the successful refinancing of the business, drawing on the capital markets expertise of senior management and the support of key shareholders, the Directors are, therefore, confident that the Company can continue to raise additional capital, as and when required, to meet future working capital requirements. It is expected that a further capital raising may be instituted early in 2016.

Considering the matters noted above, the Directors have a reasonable expectation that the Company will have access to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis in preparing the annual report and accounts.

Directors

The directors of the Company during the year were:

J A Humphreys - resigned 26 June 2014
P J Middleton (Chairman) - resigned 15 March 2014
P M Donovan (Non-Executive Director) - resigned 27 January 2014
E Navaro - appointed 20 January 2014 and resigned 26 June 2014
M P Dodd - appointed 24 April 2014
J Gregory - appointed 27 May 2014

Since the year end M C Heath, M S N Kibble, D Allen and I Pettifor have resigned as directors and M C L Adam and R D Abbott have been appointed as directors.

Digital Animal Limited

Report of the directors for the year ended 31 August 2014 (*continued*)

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.

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.

The auditors, BDO LLP, are deemed to be re-appointed in accordance with section 487 of the Companies Act 2006.

On behalf of the Board



N M M Burnell

M C L Adam

Director

29 June 2015

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 2014 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 Financial Reporting Council's (FRC'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 FRC'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 2014 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.

Opinion on other matters 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 and to the exemption from the requirement to prepare a strategic report.

BDO LLP

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

30 JUNE 2015

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 2014

	Note	2014 £	2013 £
Turnover	2	253,428	75,617
Cost of sales		4,083	23,292
Gross profit		249,345	52,325
Administrative expenses		1,699,999	1,927,094
Operating loss	3	(1,450,654)	(1,874,769)
Interest payable and similar charges	6	(48,565)	(28,615)
Loss on ordinary activities before taxation		(1,499,219)	(1,903,384)
Taxation on loss on ordinary activities	7	135,899	112,534
Loss on ordinary activities after taxation		(1,363,320)	(1,790,850)

All amounts relate to continuing activities.

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

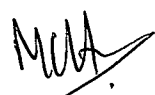
The notes on pages 11 to 21 form part of these financial statements.

Digital Animal Limited

Balance sheet at 31 August 2014

Company number 07757607	Note	2014 £	2014 £	2013 £	2013 £
Fixed assets					
Tangible assets	8		8,320		15,214
Current assets					
Debtors	9	165,189		233,398	
Cash at bank and in hand		28,074		49,829	
		<u>193,263</u>		<u>283,227</u>	
Creditors: amounts falling due within one year	10	<u>1,782,809</u>		<u>1,319,557</u>	
Net current liabilities			<u>(1,589,546)</u>		<u>(1,036,330)</u>
Total assets less current liabilities			<u>(1,581,226)</u>		<u>(1,021,116)</u>
Creditors: amounts falling due after more than one year	11		<u>2,245,705</u>		<u>1,813,003</u>
			<u>(3,826,931)</u>		<u>(2,834,119)</u>
Capital and reserves					
Called up share capital	12		165		140
Share premium account	13		948,209		577,726
Profit and loss account	13		(4,775,305)		(3,411,985)
Shareholders' deficit	14		<u>(3,826,931)</u>		<u>(2,834,119)</u>

The financial statements were approved by the board of directors and authorised for issue on 29 June 2015.



N M M Burnell

M C L Adam

Director

The notes on pages 11 to 21 form part of these financial statements.

Digital Animal Limited

Notes forming part of the financial statements for the year ended 31 August 2014

1 Accounting policies

The financial statements have been prepared under the historical cost convention.

The following principal accounting policies have been applied:

Going concern

The company's business activities together with the factors likely to affect its future development, performance and position are set out in the strategic review on pages 1 and 2.

As described in the directors report, notwithstanding the loss in the year of £1.4 million and net liabilities of £3.8 million as at the year end, the Directors have prepared the accounts on the going concern basis. In the six months after the financial year end, the Company successfully raised new capital of £2.6 million, comprised of £997,444 from new investors, £1.35 million from a placing of shares with two shareholders and £250,000 by means of an underwritten rights issue. In addition, steps have been taken to reduce internal overheads substantially and settle outstanding liabilities. The Directors have prepared profit and cash flow forecasts ("the forecasts") for the period from 1 September 2014 to 31 August 2016 based on current expectations of activity levels. These forecasts, taking account of reasonably possible changes in trading performance, show that the company will be able to operate within its working capital availability if the shareholder and stakeholder support continues.

The additional funding provides the level of funds to enable the Company to continue trading for at least the next twelve months from the date of signing these financial statements.

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 report and accounts. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

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 advocacy marketing software products.
- (b) Commissions – a share of the incremental sales achieved by customers through the Company's advocacy marketing software products.
- (c) Consultancy fees – fees charged either at a fixed rate or on a per diem basis for bespoke advocacy marketing research, strategy development and delivery.
- (d) Contribution to development costs – contributions towards costs incurred by the Company in the development and integration of the Company's 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.

Digital Animal Limited

Notes forming part of the financial statements for the year ended 31 August 2014 (*continued*)

1 Accounting policies (*continued*)

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:

Fixtures and fittings	- 25% straight line
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.

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.

Digital Animal Limited

Notes forming part of the financial statements for the year ended 31 August 2014 (continued)

3 Operating loss

	2014 £	2013 £
This is arrived at after charging:		
Depreciation of tangible fixed assets	8,284	5,836
Hire of other assets - operating leases	70,118	90,525
Fees payable to the Company's auditor or an associate of the Company's auditor for the auditing of the company's annual accounts	6,750	6,750
	<u> </u>	<u> </u>

4 Employees

Staff costs (including Directors) consist of:

	2014 £	2013 £
Wages and salaries	1,044,892	931,183
Social security costs	101,861	71,522
Compensation for loss of office	5,945	37,940
	<u> </u>	<u> </u>
	1,152,698	1,040,645
	<u> </u>	<u> </u>

The average number of employees (including directors) during the year was 19 (2013 - 14).

5 Directors' remuneration

	2014 £	2013 £
Directors' emoluments	374,090	381,068
Compensation for loss of office	-	25,300
	<u> </u>	<u> </u>

The total amount payable to the highest paid director in respect of emoluments was £114,000 (2013 - £108,000).

Digital Animal Limited

Notes forming part of the financial statements
for the year ended 31 August 2014 (*continued*)

6 Interest payable and similar charges

	2014 £	2013 £
Interest on convertible promissory note	31,219	-
Interest on loans from related parties	2,193	1,865
Interest on loans from associated undertakings	9,242	20,050
Facility fee	-	5,000
Other interest	5,911	1,700
	<u>48,565</u>	<u>28,615</u>

Interest on loans from associated undertakings includes accrued interest of £9,242 (2013 - £20,050) on working capital finance provided throughout the year by the related party Lizard King Media Limited.

Interest on loans from directors £2,193 (2013 - £1,865), for the provision of short-term liquidity finance.

The facility fees of £Nil (2013 - £5,000) were charged by the related party, Lizard King Media Limited, on the provision of additional short-term liquidity loans.

Digital Animal Limited

Notes forming part of the financial statements
for the year ended 31 August 2014 (*continued*)

7 Taxation on loss on ordinary activities

	2014 £	2013 £
<i>UK Corporation tax</i>		
Current tax on profits of the year	(135,899)	(113,821)
Adjustment in respect of previous periods	-	1,287
	<u>(135,899)</u>	<u>(112,534)</u>
Total current tax	<u>(135,899)</u>	<u>(112,534)</u>

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

	2014 £	2013 £
Loss on ordinary activities before tax	(1,499,219)	(1,903,384)
Loss on ordinary activities at the standard rate of corporation tax in the UK of 22.16% (2013 - 23.58%)	(332,227)	(448,833)
Effect of:		
Expenses not deductible for tax purposes	17,053	25,042
Capital allowances for period in excess of depreciation	-	(2,067)
Adjustment to tax charge in respect of previous periods	1,528	1,287
Additional R&D deductions	(132,759)	(135,556)
Losses carried forward	207,438	317,414
Losses surrendered for R&D tax credit	238,967	244,000
Tax credits on R&D expenditure	(135,899)	(113,821)
	<u>(135,899)</u>	<u>(112,534)</u>
Current tax credit for the year	<u>(135,899)</u>	<u>(112,534)</u>

The company has unutilised tax losses of £207,438 (2013: £317,414) and has not recognised a deferred tax asset in the financial statements due to the unpredictability of future profits

Digital Animal Limited

Notes forming part of the financial statements
for the year ended 31 August 2014 (*continued*)

8 Tangible fixed assets

	Fixtures and fittings £	Office equipment £	Total £
<i>Cost</i>			
At 1 September 2013	-	24,226	24,226
Additions	497	893	1,390
At 31 August 2014	497	25,119	25,616
<i>Depreciation</i>			
At 1 September 2013	-	9,012	9,012
Provided for the year	93	8,191	8,284
At 31 August 2014	93	17,203	17,296
<i>Net book value</i>			
At 31 August 2014	404	7,916	8,320
At 31 August 2013	-	15,214	15,214

9 Debtors

	2014 £	2013 £
Trade debtors	1,166	15,605
Amounts owed by associated undertakings	-	569
Directors' loan accounts	512	361
Corporation tax recoverable	135,899	113,821
Other debtors	12,382	87,162
Prepayments and accrued income	15,230	15,880
	165,189	233,398

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

Digital Animal Limited

Notes forming part of the financial statements
for the year ended 31 August 2014 (*continued*)

10 Creditors: amounts falling due within one year

	2014 £	2013 £
Loans from associated undertakings	30,000	143,000
Trade creditors	263,378	304,030
Taxation and social security	164,518	42,143
Amounts owed to associated undertakings	-	2,814
Subscription monies awaiting allocation	602,419	431,311
Other creditors	31,219	46,671
Accruals and deferred income	691,275	349,588
	<u>1,782,809</u>	<u>1,319,557</u>

11 Creditors: amounts falling due after more than one year

	2014 £	2013 £
Preference shares	1,735,705	1,300,003
Loans from associated undertakings	510,000	513,000
	<u>2,245,705</u>	<u>1,813,003</u>

Maturity of debt:

	Loans 2014 £	Loans 2013 £	Preference shares 2014 £	Preference shares 2013 £
In one year or less, or on demand	<u>30,000</u>	<u>143,000</u>	<u>-</u>	<u>-</u>
In more than two years but not more than five years	510,000	510,000	1,735,705	1,300,003
In more than five years	-	3,000	-	-
	<u>510,000</u>	<u>513,000</u>	<u>1,735,705</u>	<u>1,300,003</u>

Digital Animal Limited

Notes forming part of the financial statements for the year ended 31 August 2014 (continued)

11 Creditors: amounts falling due after more than one year (continued)

The preference shares are Preferred Ordinary Shares of £0.001 each in the capital of the Company and carry an entitlement, in the event of a distribution of profits or a return of capital, to the non-discretionary payment of a first dividend equal to the original subscription price paid by the Preferred Ordinary Shareholders, following which there is no further entitlement.

The Preferred Ordinary Shares are not redeemable by the Company and automatically convert into Deferred Shares upon repayment to the Preferred Ordinary Shareholders of an amount equal to the original subscription price. Deferred Shares may be redeemed by the Company at its sole discretion for £1.00 in aggregate.

The Company has granted investors who are holders of both Preferred Ordinary Shares and C Shares a put option, exercisable between 1 January 2016 and 1 April 2016, which requires the Company to purchase all the Preferred Ordinary Shares and C Shares issued to the investor. The price to be paid for the shares shall be determined on the basis of the open market value of the shares as at the date of exercise of the option, assuming a willing buyer and seller and that the Company is carrying on business as a going concern. The put option may only be exercised if at the time of exercise the Company has sufficient distributable reserves to purchase the shares.

Although the preference shares carry no voting rights the Preferred Ordinary Shareholders have the right to attend and speak at meetings whilst the shares are outstanding.

The preference shares enjoy standard "Drag and Tag" rights on the acquisition of 67.5 per cent of the A Ordinary Shares, C Shares and D Shares in aggregate.

The loan due over five years is interest-free.

12 Share capital

	2014 £	2013 £
<i>Allotted, called up and fully paid</i>		
57,365 (2013 - 57,365) A Ordinary shares of £0.001 each	57	57
24,592 (2013 - 24,885) B Ordinary shares of £0.001 each	25	25
35,994 (2013 - 31,187) C Ordinary shares of £0.001 each	36	31
13,808 (2013 - 13,515) Deferred shares of £0.001 each	13	14
21,363 (2013 - 13,016) D Ordinary shares of £0.001 each	34	13
	165	140

Digital Animal Limited

Notes forming part of the financial statements
for the year ended 31 August 2014 (*continued*)

13 Reserves

	Share premium account £	Profit and loss account £
At 1 September 2013	577,726	(3,411,985)
Premium on shares issued during the year	370,483	-
Loss for the year	-	(1,363,320)
At 31 August 2014	948,209	(4,775,305)

14 Reconciliation of movements in shareholders' deficit

	2014 £	2013 £
Loss for the year	(1,363,320)	(1,790,850)
Issue of shares	25	70
Premium on shares issued during the year	370,483	577,716
Premium on put option over own shares written during the year	-	10
Net deductions from shareholders' deficit	(992,812)	(1,213,054)
Opening shareholders' deficit	(2,834,119)	(1,621,065)
Closing shareholders' deficit	(3,826,931)	(2,834,119)

15 Commitments under operating leases

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

	Land and buildings 2014 £	Land and buildings 2013 £
Operating leases which expire:		
Within one year	28,092	14,214
In two to five years	20,028	58,583
	48,120	72,797

Digital Animal Limited

Notes forming part of the financial statements for the year ended 31 August 2014 (continued)

16 Related party disclosures

Related party transactions and balances

	Interest and similar charges £	Amounts owed by related parties £	Amounts owed to related parties £
Related party			
D A Recordings Limited	-	-	510,000
Lizard King Media Limited	9,242	-	30,000
Alignmark Limited	-	-	-
Lizard King Records Limited	-	-	-
P J Middleton	-	-	-
M C Heath	666	512	-
N M M Burnell	370	-	-
D Allen	372	-	-
I Pettifor	785	-	-
2013			
D A Recordings Limited	-	-	512,814
Lizard King Media Limited	20,050	-	143,000
Alignmark Limited	-	-	3,000
Lizard King Records Limited	-	569	-
P J Middleton	1,865	-	-
M C Heath	-	361	-
N M M Burnell	-	-	-
D Allen	-	-	-
I Pettifor	-	-	-

The loan from D A Recordings Limited is interest-free. D A Recordings Limited has first profits rights and together with the Preferred Ordinary Shareholders is entitled to pro rata payments on a dividend or sale to repay the loan.

N M M Burnell, D Allen, I Pettifor and P J Middleton were directors of the Company during the year.

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

The aggregate value of the loans extended by Lizard King Media ranged from a minimum of £30,000 to a maximum of £143,000 during the financial year. Interest is charged at a 15% on all amounts outstanding.

Digital Animal Limited

Notes forming part of the financial statements for the year ended 31 August 2014 (*continued*)

17 Post balance sheet events

Michael Adam took over from Martin Heath as CEO in November 2014. A root and branch review of the Company's business, finances and technology has narrowed focus and increased clarity across the Company. There have since been significant personnel changes at all levels of the Company. The Company retained all but one of its active clients through this period of change, and is now bringing new clients on stream.

In the six months after the financial year end, the Company successfully raised new capital of £2.6 million, comprised of £997,444 from new investors, £1.35 million from a placing of shares with two shareholders and £250,000 by means of an underwritten rights issue. In addition, steps have been taken to reduce internal overheads substantially and settle outstanding liabilities.

In February 2015, the capital structure of the Company was reorganised. This involved the conversion of A shares and C shares to Ordinary Shares, the reclassification of D shares as Ordinary Shares, the retirement of the Preference Shares and conversion of the secured loan note. In addition an employee share option scheme was established at the same time.