

COMPANIES HOUSE COPY

Digital Animal Limited

Abbreviated Accounts

Year Ended

31 August 2015

Company Number 07757607

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COMPANIES HOUSE

Digital Animal Limited

Abbreviated accounts
for the year ended 31 August 2015

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Directors

M P Dodd
M C L Adam
R D Abbott
P E F Ley

Registered office

c/o MH Secretaries Limited, 11 Staple Inn, London, WC1V 7QH

Company number

07757607

Auditors

BDO LLP, Two Snowhill, Birmingham, B4 6GA

Bankers

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

Solicitors

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

Company secretary

MH Secretaries Limited, Staple Court, 11 Staple Inn Buildings, London, WC1CV 7QH

Digital Animal Limited

Independent auditor's report

To Digital Animal Limited under section 449 of the Companies Act 2006

We have examined the abbreviated accounts which comprise the balance sheet and the related notes, together with the financial statements of Digital Animal Limited for the year ended 31 August 2015 prepared under section 396 of the Companies Act 2006.

Our report has been prepared pursuant to the requirements of section 449 of the Companies Act 2006 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of section 449 of the Companies Act 2006 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the abbreviated accounts in accordance with section 444 of the Companies Act 2006. It is our responsibility to form an independent opinion as to whether the company is entitled to deliver abbreviated accounts to the Registrar of Companies and whether the abbreviated accounts have been properly prepared in accordance with the regulations made under that section and to report our opinion to you.

We conducted our work in accordance with Bulletin 2008/4 "The special auditor's report on abbreviated accounts in the United Kingdom" issued by the Auditing Practices Board. In accordance with that Bulletin we have carried out the procedures we consider necessary to confirm, by reference to the financial statements, that the company is entitled to deliver abbreviated accounts and that the abbreviated accounts are properly prepared.

Opinion

In our opinion the company is entitled to deliver abbreviated accounts prepared in accordance with section 444(3) of the Companies Act 2006, and the abbreviated accounts have been properly prepared in accordance with the regulations made under that section.

Digital Animal Limited

Independent auditor's report (*continued*)

Other information

On 5 August 2016 we reported as auditor to the members of the company on the financial statements prepared under section 396 of the Companies Act 2006 and our report included the following paragraph.

Emphasis of matter - Going Concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made in note 1 to the financial statements concerning the ability of the Company to continue as a going concern. The Company will require additional long term investment to further develop its product before the company expects to be cash generative. This will be dependent upon continued shareholder support and future funding rounds successfully raising new capital with the next fund raise expected to take place in the first half of 2017. 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 the adjustments that would result if the company was unable to continue as a going concern.

BDO LLP

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

5 August 2016

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

Digital Animal Limited

Balance sheet at 31 August 2015

Company number 07757607	Note	2015 £	2015 £	2014 £	2014 £
Fixed assets					
Tangible assets	2		5,981		8,320
Current assets					
Debtors		276,500		165,189	
Cash at bank and in hand		493,917		28,074	
		<u>770,417</u>		<u>193,263</u>	
Creditors: amounts falling due within one year		<u>184,235</u>		<u>1,782,809</u>	
Net current assets/(liabilities)			<u>586,182</u>		<u>(1,589,546)</u>
Total assets less current liabilities			<u>592,163</u>		<u>(1,581,226)</u>
Creditors: amounts falling due after more than one year			-		2,245,705
			<u>592,163</u>		<u>(3,826,931)</u>
Capital and reserves					
Called up share capital	3		442		165
Share premium account			5,998,585		948,209
Capital redemption reserve			50		-
Share options reserve			154,571		-
Profit and loss account			<u>(5,561,485)</u>		<u>(4,775,305)</u>
Shareholders' funds/(deficit)			<u>592,163</u>		<u>(3,826,931)</u>

These abbreviated accounts have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime.

The abbreviated accounts were approved by the board of directors and authorised for issue on 04/08/2016



M C L Adam

Director

The notes on pages 4 to 8 form part of these abbreviated accounts.

Digital Animal Limited

Notes forming part of the abbreviated accounts for the year ended 31 August 2015

1 Accounting policies

The abbreviated accounts have been prepared under the historical cost convention.

The following principal accounting policies have been applied consistently:

Going concern

In the six months after the financial year end, the Company successfully raised new capital of £1 million, comprising £150,000 from new investors, with the balance from an underwritten rights issue. The directors have prepared profit and cash flow forecasts ("the forecasts") for the period from 1 January 2016 to 31 December 2018 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. Nevertheless, the Company will require ongoing investment before it is forecast to be cash generative and it is expected that further capital will be raised in the first half of 2017. This represents a material uncertainty that may cast significant doubt on the entity's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

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 financial statements. 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 from fees and commissions charged to clients.

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:

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.

Digital Animal Limited

Notes forming part of the abbreviated accounts for the year ended 31 August 2015 (*continued*)

1 Accounting policies (*continued*)

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 leases

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

Research and development

Development costs are also charged to the profit and loss account in the year of expenditure.

Share-based payment

When share options are awarded to employees, the fair value of the options at the date of grant is charged to the income statement over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where the terms and conditions of options are modified before they vest, the increase in fair value of the options, measured immediately before and after the modification, is also charged to the income statement over the remaining vesting period.

Where equity instruments are granted to persons other than employees, the income statement is charged with the fair value of goods and services received unless this cannot be assessed with certainty, in which case the fair value of the share option is used in lieu of services provided.

Digital Animal Limited

Notes forming part of the abbreviated accounts
for the year ended 31 August 2015 (*continued*)

2 Tangible fixed assets

	Total £
<i>Cost</i>	
At 1 September 2014	25,616
Additions	3,783
Disposals	(150)
At 31 August 2015	29,249
<i>Depreciation</i>	
At 1 September 2014	17,296
Provided for the year	5,972
At 31 August 2015	23,268
<i>Net book value</i>	
At 31 August 2015	5,981
At 31 August 2014	8,320

Digital Animal Limited

Notes forming part of the abbreviated accounts for the year ended 31 August 2015 (*continued*)

3 Share capital

	2015 £	2014 £
<i>Allotted, called up and fully paid</i>		
Nil (2014 - 57,365) A Ordinary Shares of £0.001 each	-	57
27,519 (2014 - 24,592) B Ordinary Shares of £0.001 each	28	25
Nil (2014 - 35,994) C Ordinary Shares of £0.001 each	-	36
Nil (2014 - 13,808) Deferred Shares of £0.001 each	-	13
Nil (2014 - 21,363) D Ordinary Shares shares of £0.001 each	-	34
414,329 (2014 - Nil) Ordinary Shares of £0.001 each	414	-
	442	165

In addition to the equity shares above there were 35,994 Preferred Ordinary Shares treated as debt as at 31 August 2014 included within creditors.

The Company reorganised its share categories during the year. There are now 2 categories of share, Ordinary Shares and B Ordinary Shares. The B Shares carry no voting rights but are identical in other respects to Ordinary shares.

The following summarises the movements in share capital during the year:

- The issuance of 2,927 B Ordinary Shares;
- The 57,365 A Ordinary Shares, 35,994 C Ordinary Shares and 21,363 D Ordinary Shares were converted into 114,722 Ordinary Shares;
- The 35,994 Preferred Ordinary Shares, previously included in debt, and all the Deferred Shares were bought back for £1.00 in aggregate plus the issuance of 6,173 Ordinary Shares and share warrants over 6,003 Ordinary Shares exercisable at £8.60;
- 31,268 Ordinary Shares were issued as a result of the restructuring agreements entered into by the company with certain funders, suppliers to the company and directors in respect of compromise agreements for the release of liabilities in consideration for equity;
- 96,840 Ordinary Shares were issued at £10.30 each for share subscriptions paid in the prior year but not allocated;
- 164,276 Ordinary Shares were subscribed for during the current year at £10.30 each; and
- 1,050 shares were issued at £10.30 as a result of share options exercised during the period.

Digital Animal Limited

Notes forming part of the abbreviated accounts
for the year ended 31 August 2015 (*continued*)

4 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	-	-	-
Lizard King Media Limited	-	-	-
M C Heath	-	-	-
N M M Burnell	-	-	-
D Allen	-	-	-
I Pettifor	-	-	-
CAP Meridian Ventures Ltd	19,105	-	-
2014			
D A Recordings Limited	-	-	510,000
Lizard King Media Limited	9,242	-	30,000
M C Heath	666	512	-
N M M Burnell	370	-	-
D Allen	372	-	-
I Pettifor	785	-	-
CAP Meridian Ventures Ltd	31,219	-	303,892

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

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

CAP Meridian Ventures Ltd is a significant shareholder of the company.

Amounts owed as at 31 August 2014 to CAP Meridian Ventures Ltd, plus accrued interest of £50,324, D A Recordings Limited and £14,000 of the amount owed to Lizard King Media Limited were released in consideration for equity through the issuance of 29,092 Ordinary Shares of £0.001 each.

As part of the fundraising exercise certain directors and CAP Meridian Ventures Ltd applied for Ordinary Shares at the issue price open to all other investors of £10.30. Total shares purchased by the directors and CAP Meridian Ventures Ltd amounted to 141,306 shares. Significant purchases were made by M C L Adam, 106,207 shares, and CAP Meridian Ventures Ltd, 28,672 shares.