Company Registration No. 6095563

Simplify Digital Limited

Report and Financial Statements

31 January 2009

Simplify Digital Limited

Report and financial statements 2009

Contents

Simplify Digital Limited

Report and financial statements 2009

Officers and professional advisers

Directors

L J Bleach
J C Botts
C A L Ponsonby

Secretary

L J Bleach

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Temple Quay
Bristol
BS1 6EG

Business address

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London
W6 0NB

Solicitors

Osborne Clarke
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Bankers

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Business Banking
PO Box 35721
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BX3 2BB

Auditors

Deloitte LLP
Chartered Accountants
London

The directors present their report with the financial statements of the company for the year ended 31 January 2009. This directors' report has been prepared in accordance with the special provisions relating to small companies under section 246(4) of the Companies Act 1985.

Simplify Digital Limited

Directors' report

Principal activities

The principal activity of the company in the year under review was retailing the digital TV, broadband and home phone packages of the major suppliers in the UK. In return for connecting customers to the various suppliers, Simplifydigital receives varying levels of commission.

The independent service Simplifydigital offers remains uniquely differentiated in the market. It is based around a free, and the UK's only Ofcom accredited, impartial consultation for anyone considering a broadband, digital TV or home phone service. The company offers the widest range of digital service providers available (including AOL, Orange, Sky, TalkTalk, Tiscali, Virgin Media etc); and provides customers with the reassurance that a Simplifydigital expert will be on hand up to the point of installation of the services in their homes.

The service is delivered by experts based in London, via a freephone number, and online at www.simplifydigital.co.uk.

Review of business and future prospects

The results for the year and financial position of the company are as shown in the financial statements.

At its core, Simplifydigital is about generating high volumes of relevant leads into our contact centre or our website at an acceptable cost, impartially converting those leads into sales for our service providers and earning sufficient commissions to generate a profit. Underpinning this model is a technology platform enabling a consumer to very quickly compare tens of thousands of package options, and understand which packages best match their needs. Over the year under review, the company has remained focussed on this business model, and successfully made the transistion from a start up operation to a robust operating business.

Our customers are finding us as a result of high profile marketing partnerships, public relations and direct response advertising. We have continued to add new partnerships with well recognised brands over the course of the year, with relationships now existing with The Times, the Daily Telegraph, the Daily Mail, Sainsbury's, Confused.com and MSN amongst many others. Alongside this partnership approach, we have also started our own direct response television advertising which has enabled us to more predictably drive calls at acceptable costs. Together, these two approaches have enabled us to significantly increase calls into the contact centre and visitors to the website.

This increase in call volume has been matched by significantly improved conversion rates in our contact centre delivering increasingly material sales volumes to our suppliers.

A key focus for the next 12 months is to significantly increase the sales contribution of the website. It became clear over the last year that our underlying technology could perform as well in the web environment as in the contact centre. Originally non-transactional, the web site evolved towards the end of 2008 in order to be able to process online orders and a major site relaunch in the second half of 2009 will be a main sales driver for the coming year.

Simplify Digital Limited

Directors' report (continued)

Going concern and financing

The Directors believe that the outlook for the business is strong. The consumer proposition remains unique and continues to prove very attractive in the current economic environment as consumers seek to save money on their household bills. In addition, the broader market for digital TV, broadband and phone remains strong reflecting their 'utility' status and the ongoing impact of the Government's Digital Switchover.

As at the year ended 31 January 2009, call volumes were at record levels and conversion rates were climbing, leading to record sales volumes and revenues. As a result, the business is moving towards a point where the steady state operating model will breakeven on a monthly basis and be cash generative by the end of 2009. Whilst this would mean that there is no need to raise further funds, the Directors are reviewing the growth plans and may consider further funding in order to accelerate the expansion of the business.

The Directors have formed a judgement, at the time of approving the financial statements, that there is a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. The key factors underpinning their judgement are set out in risks and uncertainties below. For this reason the Directors continue to adopt the going concern basis in preparing the financial statements.

During its first financial period, the founders of the business injected £540,000 of equity start up funding and were successful in raising two further funding rounds on 1 April 2007, raising £150,000 at a price of 157 pence per share, and on 21 January 2008, raising £1,800,000 at a price of 393 pence per share. On the 9th February 2009 further share capital was issued raising £1,000,000 at a price of 393 pence per share.

Dividends

No dividends will be distributed for the year ended 31 January 2009.

Key risks & uncertainties

As a lead generation and retail business, the company is exposed to a number of uncertainities that are continually assessed. These relate to the volume and cost of leads, the sales conversion rate of these leads and the average revenue per sale.

In order to ensure that leads are driven at a cost effective rate, the company works with many different marketing partners and sources, and is continually trialling and testing new tools and creative messages to optimise the cost per call by campaign. Consequently, the company is not over reliant on a small number of sources for volume nor efficiently costed leads.

Having been trading for over a year, the Directors have established a thorough and detailed conversion rate management process. The conversion performance of the contact centre and the website is under continual review, with adjustments made to reward mechanisms, personnel and website structure to ensure any risk of a material decline in conversion rate is minimised.

Any uncertainty associated with revenues is in some ways offset by the durations of agreements with our suppliers. Equally importantly, the wider market for digital services shows no signs of becoming less competitive, with the cost of acquisition for suppliers showing no signs of reducing. As Simplifydigital becomes an increasingly material channel for these suppliers, and as we continue to deliver high quality incremental customers, we remain confident that average revenue per sale should continue to increase, rather than decrease.

The company's costs are largely payroll and premises costs and are predictable.

Simplify Digital Limited

Directors' report (continued)

The company's activities expose it to a number of financial risks including credit risk and cash flow risk. The directors do not believe that the company is exposed to any price risk or liquidity risk. The company currently has sufficient cash to fund its activities.

Directors and their interests

The directors shown below have held office during the whole of the year ended of this report.

L J Bleach
J C Botts
C A L Ponsonby

The interests of Directors in the share capital of the company are as follows:

C A Ponsonby	54.70%
L J Bleach	10.80%
J C Botts	5.74%

This reflects the shareholding as at 31 January 2009, before the post balance sheet event of further investment and share issue.

All the directors who are eligible offer themselves for re-election at the forthcoming first Annual General Meeting.

Supplier payment policy

The company's policy is to abide by terms of payments with all suppliers, in accordance with the terms agreed for each transaction.

Trade creditors of the company at 31 January 2009 were equivalent to 11 (2008: 23) days' purchases, based on the average daily amount invoiced by suppliers during the year.

Charitable and political contributions

During the year, the company did not make any charitable or political donations.

Statement as to disclosure of information to auditors

So far as the directors are aware, there is no relevant audit information (as defined by Section 234ZA of the Companies Act 1985) of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Auditors

On 1 December 2008, Deloitte & Touche LLP changed its name to Deloitte LLP. The auditors, Deloitte LLP, will be proposed for re-appointment in accordance with Section 385 of the Companies Act 1985.

On behalf of the board:

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L J Bleach - Secretary

Date 25 June 2009

Statement of directors' responsibilities

The directors are responsible for preparing 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 International Financial Reporting Standards as adopted by the European Union. The financial statements are required by law to be properly prepared in accordance with IFRSs as adopted by the European Union and the Companies Act 1985.

International Accounting Standard 1 requires that financial statements present fairly for each financial year the company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. However, directors are also required to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and make an assessment of the company's ability to continue as a going concern.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. 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.

Independent auditors' report to the members of Simplify Digital Limited

We have audited the financial statements of Simplify Digital Limited for the year ended 31 January 2009 which comprise the income statement, the statement of recognised income and expense, the balance sheet, the cash flow statement, the notes to the cash flow statement and the related notes 1 to 21. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 auditors' 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

The directors' responsibilities for preparing the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the report of the directors is consistent with the financial statements.

In addition, we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the other information contained in the directors' report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Independent auditors' report to the members of Simplify Digital Limited (continued)

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with International Financial Reporting Standards as adopted by the European Union, of the state of the company's affairs as at 31 January 2009 and of its loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

Deloitte LLP

Deloitte LLP
Chartered Accountants and Registered Auditors
London, United Kingdom
Date: 12 June 2009

Simplify Digital Limited

Income statement
Year ended 31 January 2009

	Notes	Year ended 31 January 2009 £	Period from 12 February 2007 to 31 January 2008 £
Continuing operations			
Revenue	2	457,834	21,518
Cost of sales		(769,565)	(215,982)
Gross loss		(311,731)	(194,464)
Marketing expenditure		(392,560)	(261,229)
Technology and development costs		(91,996)	(55,892)
Administrative expenses		(801,123)	(440,674)
Operating loss		(1,597,409)	(952,259)
Finance income	4	41,371	9,688
Loss before tax	5	(1,556,038)	(942,571)
Tax	6	-	-
Loss for the period		(1,556,038)	(942,571)

Simplify Digital Limited

Statement of recognised income and expense
Year ended 31 January 2009

	Year ended 31 January 2009 £	Period from 12 February 2007 to 31 January 2008 £
Loss for the financial period	(1,556,038)	(942,571)
Total recognised income and expense for the period	(1,556,038)	(942,571)

Simplify Digital Limited

Balance sheet
31 January 2009

	Notes	2009 £	2008 £
Assets			
Non-current assets			
Intangible assets	7	83,516	-
Property, plant and equipment	8	14,653	-
Other receivables	9	22,500	26,500
		120,669	26,500
Current assets			
Trade and other receivables	9	227,464	79,304
Cash at bank and in hand	10	878,338	1,710,319
		1,105,802	1,789,623
Liabilities			
Current liabilities			
Trade and other payables	11	(240,630)	(106,214)
Net current assets		865,172	1,683,409
Net assets		985,841	1,709,909
Shareholders' equity			
Called up share capital	15	1,747	1,554
Share premium account	16	2,701,863	1,941,946
Retained earnings	16	(1,717,769)	(233,591)
Shareholders' equity		985,841	1,709,909

These financial statements were approved by the Board of Directors on 15 June 2009 and signed on its behalf by:

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L J Bleach
Director

....

C A L Ponsonby
Director

Simplify Digital Limited

Cash flow statement
Year ended 31 January 2009

	Notes	Year ended 31 January 2009 £	Period from 12 February 2007 to 31 January 2008 £
Cash flows from operating activities			
Cash generated from operations	1	(1,462,994)	(772,181)
Net cash outflow from operating activities		(1,462,994)	(772,181)
Cash flows from investing activities			
Purchase of intangible fixed assets		(112,320)	-
Purchase of tangible fixed assets		(16,777)	-
		(129,097)	-
Cash flows from financing activities			
Share issue		760,110	1,951,000
Cost of share issue		-	(7,500)
Receipt of shareholder loan		-	539,000
Net cash from financing activities		760,110	2,482,500
(Decrease) / increase in cash and cash equivalents		(831,981)	1,710,319
Cash and cash equivalents at beginning of period	2	1,710,319	-
Cash and cash equivalents at end of period	2	878,338	1,710,319

Notes to the cash flow statement
Year ended 31 January 2009

1. Reconciliation of loss before tax to cash generated from operations

	Year ended 31 January 2009	Period from 12 February 2007 to 31 January 2008
	£	£
Loss before tax	(1,556,038)	(942,571)
Depreciation charges	2,124	-
Amortisation charges	28,804	
Warrants expense	-	56,250
Share based payment expense	71,860	113,730
	(1,453,250)	(772,591)
Increase in trade and other receivables	(144,160)	(105,804)
Increase in trade and other payables	134,416	106,214
Cash absorbed by operations	(1,462,994)	(772,181)

2. Cash and cash equivalents

The amounts disclosed in the cash flow statement in respect of cash and cash equivalents are in respect of these balance sheet amounts:

	£	£
Cash and cash equivalents	878,338	1,710,319

1. **Accounting policies**

Basis of preparation and general information

Simplify Digital Ltd is a limited company incorporated in Great Britain and registered in England and Wales under the Companies Act 1985. The financial statements have been prepared under the historical cost convention with the exception of items which are required to be measured at fair value as set out in the company's accounting policies below. As permitted by the Companies Act 1985, the financial statements have been prepared in accordance with International Financial Reporting Standards.

Going concern

A going concern discussion is given in the Directors' report. The Directors have reviewed the outlook for the company and have concluded that the company will remain a going concern for a period of 12 months from the date of signing of these accounts.

Revenue recognition

Revenue represents the amount receivable for the performance of the company's services and is stated net of value added tax ("VAT").

The company provides retail services to domestic customers, which generates revenue for the company in the form of commissions when these customers are connected to digital TV, broadband and home phone services provided by the digital TV, broadband and home phone supplier. Due to the elapsed time between the digital TV, broadband and home phone connection, the act of which triggers the company's revenue, and receipt of the confirmation from the digital TV, broadband and home phone supplier, the Company estimates the unbilled revenue receivable and records this as accrued revenues at the balance sheet date.

Hire purchase and leasing commitments

Rentals paid under operating leases are charged to the profit and loss account on a straight line basis over the period of the lease.

Share based payments

The company has issued warrants to subscribe for ordinary shares to a director. The Company has issued ordinary shares in exchange for services. The company also issues options to certain employees.

The fair value of the warrants is determined at the date of grant.

The fair value of ordinary shares issued in exchange for services is recorded as an expense over the service period.

Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date is expensed over the vesting period, based on the estimates of shares that will eventually vest. In assessing the fair value, the directors have taken into account the economic value of ordinary shares in the company based on share subscriptions made by third party investors.

Property, plant and equipment

Computer equipment are stated at cost less accumulated depreciation.

Depreciation is charged so as to write off the cost over their estimated useful lives (2 years), using the straight-line method.

Development costs – research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from the company's development is recognised only if all of the following conditions are met:

1. **Accounting policies (continued)**

Development costs – research and development expenditure (continued)

- an asset is created that can be identified;
- it is probable that the asset created will generate future economic benefits; and
- the development cost of the asset can be measured reliably

Internally-generated intangible assets are amortised on a straight-line basis over their useful lives. Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

Taxation

The tax expense represents the sum of the currently payable and deferred tax. The tax currently payable is based on taxable profit for the period. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible. The liability for the current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary differences arise from goodwill or from the initial recognition (other than in a business combination) of other asset and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Financial instruments

i. Trade and other debtors

Trade and other debtors do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated recoverable amount.

ii. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

iii. Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company.

Notes to the accounts
Year ended 31 January 2009

1. Accounting policies (continued)

Adoption of new accounting standards and interpretations

In the current year, two Interpretations issued by the International Financial Reporting Interpretations Committee are effective for the current period. These are: IFRIC 11 IFRS 2 – Group and Treasury Share Transactions and IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction. The adoption of these Interpretations has not led to any changes in the Group's accounting policies.

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

IFRS/Amendment	Title	Application date of standard
IAS 1 revised	Presentation of financial statements	1 January 2009
IAS 23 revised	Borrowing costs	1 January 2009
IAS 32 amendment	Puttable financial instruments and obligations arising on liquidation	1 January 2009
IFRS 1/ IAS 27 amendment	Cost of an investment in a subsidiary, jointly controlled entity or associate	1 January 2009
IFRS 1 revised	First-time adoption of IFRS	1 January 2009
IFRS 2 amendment	Share-based payment	1 January 2009
IFRS 7 amendment	Financial instrument disclosures	1 January 2009
IFRS 8	Operating segments	Supersedes IAS 14 from 1 January 2009
IFRIC 9 / IAS 39 amendment	Embedded derivatives	Annual periods ending on or after 30 June 2009
IFRIC 12	Service concession arrangements	1 July 2008
IFRIC 13	Customer loyalty programmes	1 July 2008
IFRIC 16	Hedges of a net investment in a foreign operation	1 October 2008
IFRIC 15	Agreements for the construction of real estate	1 January 2009
IFRIC 17	Distribution of non-cash assets to owners	1 July 2009
IFRIC 18	Transfers of assets from customers	1 July 2009
IFRS 3 revised	Business combinations	1 July 2009
IAS 27 revised	Consolidated and separate financial statements	1 July 2009
IAS 39 amendment	Eligible hedged items	1 July 2009

Improvements to IFRSs (May 2008)

The Directors do not anticipate that the adoption of these standards and interpretations will have a material impact on the Group's financial statements in the period of initial application when the relevant standards come into effect for periods commencing on or after 31 January 2009.

Notes to the accounts
Year ended 31 January 2009

2. Revenue

The Directors consider that the company has only one class of business, the retail of digital TV, broadband and homephone packages. Revenue arises solely from goods and services provided to domestic customers in the UK.

3. Employees and directors

Employment costs, including directors comprised:

	Year ended 31 January 2009 £	Period from 12 February 2007 to 31 January 2008 £
Wages and salaries	750,966	215,340
Social security costs	84,020	24,761
Share based payment expense	71,860	169,980
	906,846	410,081

The average monthly number of employees during the period was as follows:

	Numbers	Numbers
Directors	3	3
Marketing and technology	6	5
Selling	12	8
	21	16

	£	£
The remuneration of the directors was as follows:		
Salaries	152,250	12,500
Share-based payment expense	-	150,600
Key management remuneration	152,250	163,100

4. Net finance income

	Year ended 31 January 2009 £	Period from 12 February 2007 to 31 January 2008 £
Finance income:		
Deposit account interest	41,371	9,688

Notes to the accounts
Year ended 31 January 2009

5. Loss before tax

	Year ended 31 January 2009 £	Period from 12 February 2007 to 31 January 2008 £
The loss before tax is stated after charging:		
Staff costs	906,846	450,081
Hire of office equipment	7,076	63,510
Hire of premises	144,670	62,599
Depreciation – owned assets	2,124	-
Development costs amortisation	28,804	-
Auditors' remuneration – audit services	15,000	10,000

6. Tax

Analysis of the tax charge

	2009 £	2008 £
Total tax charge in income statement	-	-

Reconciliation of total tax charge

The tax assessed for the year is nil due to the losses made. The difference to an expected tax credit of 28.33% (2008: 30%) is explained below:

	2009 £	2008 £
Loss on ordinary activities before tax	(1,556,038)	(942,571)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28.33% (2008: 30%)	(440,872)	(282,771)
Effects of:		
Expenses not deductible for tax purposes	283	887
Temporary differences not recognised	440,589	281,884
Total tax	-	-

Notes to the accounts
Year ended 31 January 2009

7. Intangible assets

	Development Costs £
Cost	
Additions	112,320
At 31 January 2009	112,320
Amortisation	
Amortisation for year	28,804
At 31 January 2009	28,804
Net book value	
At 31 January 2009	83,516

8. Property, plant and equipment

	Computer equipment £
Cost	
Additions	16,777
At 31 January 2009	16,777
Amortisation	
Amortisation for year	2,124
At 31 January 2009	2,124
Net book value	
At 31 January 2009	14,653

Notes to the accounts
Year ended 31 January 2009

9. Trade and other receivables

	Year ended 31 January 2009 £	Period from 12 February 2007 to 31 January 2008 £
Current:		
Trade receivables	114,853	17,972
Other receivables	-	38,659
VAT	2,651	17,763
Prepayments	3,277	1,550
Accrued revenues	106,683	3,360
	227,464	79,304
Non-current:		
Other receivables – rent deposit	22,500	26,500

There is no allowance for doubtful accounts as the Directors believe all trade debtors to be current and recoverable in full.

Ageing of past due but not impaired receivables:

	Year ended 31 January 2009 £	Period from 12 February 2007 to 31 January 2008 £
30 - 60 days	114,853	17,972
60 - 90 days	-	-
90 - 120 days	-	-
Total	114,853	17,972

Simplify Digital Limited

Notes to the accounts
Year ended 31 January 2009

10. Cash and cash equivalents

	Year ended 31 January 2009 £	Period from 12 February 2007 to 31 January 2008 £
Bank deposit account	183,338	164,319
Treasury account	680,000	1,531,000
Bank accounts	15,000	15,000
	878,338	1,710,319

11. Trade and other payables

	Year ended 31 January 2009 £	Period from 12 February 2007 to 31 January 2008 £
Current:		
Trade creditors	38,086	35,991
Other creditors	2,020	-
Social security and other taxes	37,279	10,894
Accrued expenses	163,245	59,329
	240,630	106,214

12. Leasing commitments

Total lease payments under non-cancellable operating leases fall due as follows:

	Year ended 31 January 2009 £	Period from 12 February 2007 to 31 January 2008 £
Within one year	154,835	24,000
Between one and five years	40,733	76,000
	195,568	100,000

13. Financial instruments

a) Capital risk management

The company's objective when managing its capital is to safeguard its ability to continue as a going concern and to maintain an optimal capital structure to reduce the cost of capital. The company is in the early stages of development and is currently funded by equity.

b) Significant accounting policies

Details of the significant accounting policies and methods adopted, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, liability and equity are disclosed in note 1 (Accounting policies).

c) Categories of financial instruments

The following assets and liabilities at carrying values meet the definition of financial instruments and are classified according to the following categories:

	Notes	Year ended 31 January 2009 £	Period from 12 February 2007 to 31 January 2008 £
Loans and receivables			
Deposits/cash	10	878,338	1,710,319
Trade receivables	9	114,853	17,972
Other receivables	9	-	38,659
Financial assets		993,191	1,766,950
Trade payables	11	38,086	35,991
Other payables	11	37,279	10,894
Financial liabilities		75,365	46,885

The fair value of financial assets and liabilities is not materially different from the book value recorded at 31 January 2009.

d) **Financial risk management**

The company's financial assets and liabilities mainly comprise cash and liquid resource and various items, such as trade receivables and payables that arise directly from its operations.

The main risks arising from the company's financial instruments are market risk (primarily exposure to changes in the interest rate), liquidity risk and credit risk. The Board reviews and agrees policies for managing each of these risks, which are summarised below.

13. Financial instruments – (continued)

Market risk - interest rate

The company finances its operations through equity share capital and places funds raised on deposit to maximise short-term returns available within the framework of the company's liquidity requirements.

The interest rate available to the company is based on 0.32% per annum over the Bank's base rate for its sterling accounts.

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the company's exposure to interest rates on its cash deposits, at balance sheet date.

The table below demonstrates the sensitivity to a one per cent change in the interest rate, with all other variables held constant, as this is management's assessment for the reasonably possible change in interest rates in the short term.

	Effect of change 2009 £
Loss before tax – gain/(loss)	1,556,038
+1%	410
-1%	(410)

Other market risks

The company is not exposed to other price risk apart from interest rate.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the company. The company's maximum exposure to credit risk is as follows:

	Notes	**2009 £**
Cash and cash equivalents	10	878,338
Trade receivables	9	114,853
		993,191

The carrying amount of trade and other receivables approximates fair value with no concentration of credit risk, other than the funds on deposit being all held with the company's bankers Barclays PLC.

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the board of directors. The company maintains adequate reserves, by continuously monitoring forecast and actual cash flows and matching the maturity profits of financial assets and liabilities.

e) **Maturity profile**

The table below summarises the maturity profile of the company's undiscounted cashflows of the financial liabilities and the earliest date on which the company is required to pay:

Notes to the accounts
Year ended 31 January 2009

13. Financial instruments – (continued)

	Less than one year	1-2 years	Undiscounted balance	Effects of discount/ financing rates	2009
	£	£	£	£	£
Trade payables	38,086	-	-	-	38,086
Other payables	37,279	-	-	-	37,279
	75,365	-	-	-	75,365

14. Deferred tax

A deferred tax liability of £4,103 arises in relation to fixed assets timing differences, however, this is offset by a deferred tax asset of £4,103 in relation to tax losses carried forward.

A further potential deferred tax asset has not been recognised in respect of temporary differences relating to tax losses and share based payments as there is insufficient evidence that the asset will be recovered. The amount of the asset not recognised is £634,890 in respect of tax losses and £292,137 in respect of share based payments. .

15. Called up share capital

	Year ended 31 January 2009	Period from 12 February 2007 to 31 January 2008
	£	£
Authorised:		
1,943,000 ordinary shares of £.001 each	1,943	1,943
Allotted, issued and fully paid:		
1,747,389 ordinary shares of £.001 each	1,747	1,554

On 12 February 2007 shares were issued to the company's founders at par value of 0.1 pence per share.

During the period to 31/1/08 there were two further issues of share capital to various investors. The first external financing round was issued at a premium of £1.57 per share on the 1 April 2007 with 95,513 shares being taken up on this issue. The second external financing round took place on the 21st January 2008, when 458,462 shares were issued at a premium of £3.93 per share.

On 9 February 2009, the company finalised a 3rd round of share issuance to investors at £3.93 per share, raising £1,000,000 pounds in additional funds.

A warrant to subscribe for 35,000 ordinary shares at a price of 185 pence was issued to Botts & Co on 27 September 2007.

Details of share options issued in the period are set out in note 18.

Notes to the accounts
Year ended 31 January 2009

16. Reserves

	Retained earnings	Share premium account £	Totals £
At 1 February 2008	(233,591)	1,941,946	1,708,355
Cash share issue	-	759,917	759,917
Deficit for the period	(1,556,038)	-	(1,556,038)
Share based payments	71,860	-	71,860
At 31 January 2009	(1,717,769)	2,701,863	984,094

17. Reconciliation of movements in shareholders' funds

	£
Loss for the financial period	(1,556,038)
Shares issued	760,110
Credit to retained earnings for share based payments	71,860
Net addition to shareholders' funds	(724,068)
Opening shareholders' funds	1,709,909
Closing shareholders' funds	985,841
Equity interests	985,841

18. Share-based payment transactions

	Number of warrants Number	Weighted average exercise price £	Number of share options EMI Scheme Number	Weighted average exercise price SAYE £
Balance B/Fwd	35,000	1.85	43,500	0.001
Granted during the year	-	-	16,250	0.95
Exercised during the year	-	-	-	-
Lapsed during the year	-	-	-	-
Outstanding at 31 January 2009	35,000	1.85	59,750	0.951
Exercisable at 31 January 2009			-	-
Weighted average fair value of award granted during the year		56,250		71,860
Weighted average remaining contractual life (years)		Unlimited		8.4
Exercise price		1.85		0.26

The company recognised total expenses of £71,860 during the year related to equity-settled share based payment transactions.

The directors have taken the intrinsic value of the options as the fair value as there is negligible difference between the intrinsic value and the fair value determined by a valuation model.

The directors have determined the fair value of the warrants by using a binomial model, assuming exercise no later than five years from issuance and a volatility of 45%.

In November 2008, the directors introduced a quarterly stock option incentive programme related to company and personal performance for selected staff. As at 31 January 2009, no options had been granted.

19. Related party transactions

The remuneration of the directors, who are the key management personnel of the company, is set out in note 2.

Mr C Ponsonby made a non-interest bearing loan available to the company to fund its initial expenses on 9 March 2007. On 16 November 2007 this loan was forgiven and has been recorded as a capital contribution.

Mr J Botts, the company's Chairman receives no fee for his services. Botts & Co was granted warrants to subscribe for 35,000 ordinary shares.

On 10 June 2008 Mr C. Ponsonby and Mr L. Bleach formed a company called Simplify Digital Systems Limited, this company was dormant during the period.

There are no other related parties transactions.

20. Ultimate controlling party

The directors regard Mr C Ponsonby as the immediate and ultimate controlling party.

21. Post balance sheet events

On 9 February 2009, the company finalised a 3rd round of share issuance to investors at £3.93 per share, raising £1,000,000 pounds in additional funds.

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