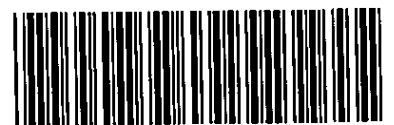


**COMPANY REGISTRATION NUMBER 4371159**

**SAFFRON DIGITAL LIMITED**  
**REPORT AND FINANCIAL STATEMENTS**  
**31 December 2006**

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# **SAFFRON DIGITAL LIMITED**

## **FINANCIAL STATEMENTS**

**PERIOD FROM 1 January 2006 TO 31 December 2006**

<b>CONTENTS</b>	<b>PAGE</b>
Officers and professional advisers	<b>1</b>
The directors' report	<b>2</b>
Profit and loss account	<b>4</b>
Balance sheet	<b>5</b>
Notes to the financial statements	<b>6</b>

**SAFFRON DIGITAL LIMITED**  
**OFFICERS AND PROFESSIONAL ADVISERS**

**The board of directors**

Mr A Bentley  
Mr C Butter  
Mr G Dunn  
Mr S Fernando

**Company secretary**

Mr A Bentley

**Registered office**

32-38 Saffron Hill  
London  
EC1N 8FH

# **SAFFRON DIGITAL LIMITED**

## **THE DIRECTORS' REPORT**

### **PERIOD FROM 1 January 2006 TO 31 December 2006**

The directors present their report and the financial statements of the company for the period from 1 January 2006 to 31 December 2006

#### **PRINCIPAL ACTIVITIES AND BUSINESS REVIEW**

The principal activity of the company during the period was that of the distribution of film and film content via an internet e-commerce web site supporting the Saffron Digital Stores

The company has made a loss this period, though it is lower than last year. The directors are optimistic that the trading result will continue to improve in the future.

#### **RESULTS AND DIVIDENDS**

The trading results for the period and the company's financial position at the end of the period are shown in the attached financial statements

The directors have not recommended a dividend

#### **DIRECTORS**

The directors who served the company during the period were as follows

Mr A Bentley	
Mr M Evans	(Resigned 1 May 2006)
Mr J Hampshire	(Appointed 25 November 2005, resigned 25 May 2006)
Mr C Butter	(Appointed 15 May 2006)

Mr S Fernando was appointed on 23 May 2007 and Mr G Dunn was appointed on 27 June 2007

The company is a wholly owned subsidiary and the interests of the group directors are disclosed in the financial statements of the parent company

#### **DIRECTORS' RESPONSIBILITIES**

The directors are responsible for preparing the annual report and financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice

Company law requires the directors to prepare the financial statements for each financial year which 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 those financial statements, the directors are required to select suitable accounting policies, as described on page 6, and then apply them on a consistent basis, making judgements and estimates that are prudent and reasonable. The directors must also 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 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. The directors 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

Registered office  
32-38 Saffron Hill  
London  
EC1N 8FH

Signed by order of the directors

A handwritten signature in black ink, appearing to be 'S Fernando', written over a horizontal line.

MR S FERNANDO  
DIRECTOR

Approved by the directors on 13/02/2008

# SAFFRON DIGITAL LIMITED

## PROFIT AND LOSS ACCOUNT

PERIOD FROM 1 January 2006 TO 31 December 2006

	Note	31 Dec 06 £	31 Dec 05 £
<b>TURNOVER</b>	<b>2</b>	<b>658,868</b>	333,755
Cost of sales		<u>(187,760)</u>	<u>(36,040)</u>
<b>GROSS PROFIT</b>		<b>471,108</b>	297,715
Administrative expenses		<u>(1,271,778)</u>	<u>(477,926)</u>
<b>OPERATING LOSS</b>	<b>3</b>	<b>(800,670)</b>	(180,211)
Interest receivable		78	139
Interest payable and similar charges	<b>6</b>	<u>(1,429)</u>	<u>(16,093)</u>
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<b>(802,022)</b>	(196,165)
Tax on loss on ordinary activities		—	—
<b>LOSS FOR THE FINANCIAL PERIOD</b>		<b>(802,022)</b>	(196,165)
Balance brought forward		<u>(1,640,030)</u>	<u>(1,443,865)</u>
Balance carried forward		<u><b>(2,442,051)</b></u>	<u>(1,640,030)</u>

At 31 December 2006, all of the activities of the company are classed as continuing

The company has no recognised gains or losses other than the results for the period as set out above

The notes on page 4 form part of these financial statements

# SAFFRON DIGITAL LIMITED

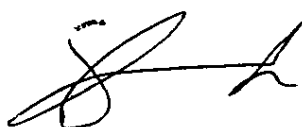
## BALANCE SHEET

31 December 2006

	Note	31 Dec 06 £	31 Dec 05 £
<b>FIXED ASSETS</b>			
Tangible assets	7	43,865,	14,552
<b>CURRENT ASSETS</b>			
Debtors	8	163,899	124,258
Cash at bank		4,262	24,365
		<u>144,022</u>	<u>148,623</u>
<b>CREDITORS: Amounts falling due within one year</b>	9	(1,649,077)	(798,205)
<b>NET CURRENT LIABILITIES</b>		<u>(1,649,077)</u>	<u>(649,582)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>(1,461,190)</u>	<u>(635,030)</u>
<b>CAPITAL AND RESERVES</b>			
Called-up equity share capital	11	19,950	19,950
Share premium account	12	985,050	985,050
Profit and loss account		(2,442,051)	(1,640,030)
<b>DEFICIT</b>	13	<u>(1,437,051)</u>	<u>(635,030)</u>

For the year ended 31 December 2006 the company was entitled to exemption under section 249A(1) of the Companies Act 1985. No members have required the company to obtain an audit of its accounts for the year in question in accordance with section 249B(2). The directors acknowledge their responsibility for i) Ensuring the company keeps accounting records which comply with section 221, and ii) Preparing accounts which give a true and fair view of the state of affairs of the company as at the end of its profit and loss for the financial year in accordance with section 226, and which otherwise comply with the requirements of the Companies Act relating to accounts, so far as applicable to the company.

These financial statements were approved by the directors and are signed on their behalf by



MR S FERNANDO  
DIRECTOR

The notes on page 5 form part of these financial statements

**SAFFRON DIGITAL LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**PERIOD FROM 1 January 2006 TO 31 December 2006**

**1. ACCOUNTING POLICIES**

**Basis of accounting**

The financial statements have been prepared under the historical cost convention

**Going concern basis**

The financial statements have been prepared on the going concern basis on the grounds that the ultimate parent company has confirmed that it will provide financial support for the foreseeable future

**Cash flow statement**

The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (Revised 1996) from including a cash flow statement in the financial statements on the grounds that it is a wholly owned subsidiary of Filmnight Group Limited and the cash flows of the company are included within the consolidated group cash flow statement of Filmnight Group Limited, in its published financial statements

**Turnover**

Turnover represents the value of sales made during the period, net of value added tax

**Fixed assets**

All fixed assets are initially recorded at cost

**Depreciation**

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows

Fixtures, fittings & equipment                      -    20% straight line basis per annum

The carrying value of tangible fixed assets is reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable

**Operating lease agreements**

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease

**2. TURNOVER**

Turnover was achieved wholly within the United Kingdom and is wholly attributable to the company's principal activity



# SAFFRON DIGITAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 1 January 2006 TO 31 December 2006

### 3. OPERATING LOSS

Operating loss is stated after charging

	31 Dec 06	31 Dec 06
	£	£
Depreciation of owned fixed assets	15,600	6,900
Loss on disposal of fixed assets	-	-
Auditor's remuneration		
- as auditor	<u>6,000</u>	<u>4,250</u>

### 4. PARTICULARS OF EMPLOYEES

The average number of staff employed by the company during the financial period amounted to

	31 Dec 06	31 Dec 05
	No	No
Number of administrative staff	26	15
Number of management staff	<u>1</u>	<u>1</u>
	<u>27</u>	<u>16</u>

The aggregate payroll costs of the above were

	31 Dec 06	31 Dec 05
	£	£
Wages and salaries	694,114	245,100
Social security costs	<u>76,156</u>	<u>26,452</u>
	<u>770,270</u>	<u>271,552</u>

### 5. DIRECTORS' EMOLUMENTS

The directors' aggregate emoluments in respect of qualifying services were

	31 Dec 06	31 Dec 05
	£	£
Emoluments receivable	<u>10,000</u>	<u>10,000</u>

# SAFFRON DIGITAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 1 January 2006 TO 31 December 2006

### 6. INTEREST PAYABLE AND SIMILAR CHARGES

	31 Dec 06	31 Dec 05
	£	£
Interest payable on bank borrowing	1,429	13,096
Other similar charges payable	-	2,997
	<u>1,429</u>	<u>16,093</u>

### 7. TANGIBLE FIXED ASSETS

	Equipment £
<b>COST</b>	
At 1 January 2006	37,496
Additions	44,913
Disposals	-
<b>At 31 December 2006</b>	<u>82,409</u>
<b>DEPRECIATION</b>	
At 1 January 2006	22,944
Charge for the period	15,600
<b>At 31 December 2006</b>	<u>38,544</u>
<b>NET BOOK VALUE</b>	
At 1 January 2006	<u>14,522</u>
<b>At 31 December 2006</b>	<u>43,865</u>

### 8. DEBTORS

	31 Dec 06	31 Dec 05
	£	£
Trade debtors	82,028	63,928
Other debtors	24,139	-
Prepayments and accrued income	57,732	60,330
	<u>163,899</u>	<u>124,258</u>

All debtors are due within one year

# SAFFRON DIGITAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 1 January 2006 TO 31 December 2006

### 9. CREDITORS: Amounts falling due within one year

	31 Dec 06 £	28 Feb 05 £
Bank loans and overdrafts	-	-
Trade creditors	239,278	56,777
Amounts owed to group undertakings	833,440	586,021
Other creditors including taxation and social security		
Taxation and social security	292,737	93,815
Other creditors	71,756	-
	<u>1,437,211</u>	<u>736,613</u>
Accruals and deferred income	211,866	61,592
	<u>1,649,077</u>	<u>798,205</u>

### 10. RELATED PARTY TRANSACTIONS

The company was under the control of Filmnight Group Limited, a company incorporated in Guernsey, for the entire period

The company has taken advantage of the exemption offered by FRS 8 not to disclose details of transactions or balances with fellow group undertakings on the grounds that it is a wholly owned subsidiary of Filmnight Group Limited, the financial statements of which are publicly available

### 11. SHARE CAPITAL

#### Authorised share capital:

	31 Dec 06 £	28 Feb 05 £
1,995,000 Ordinary shares of £0.01 each	<u>19,950</u>	<u>19,950</u>

#### Allotted, called up and fully paid:

	31 Dec 06		28 Feb 05	
	No	£	No	£
Ordinary shares of £0.01 each	<u>1,995,000</u>	<u>19,950</u>	<u>1,995,000</u>	<u>19,950</u>

### 12. SHARE PREMIUM ACCOUNT

There was no movement on the share premium account during the financial period

### 13. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	31 Dec 06	28 Feb 05
	£	£
Loss for the financial period	(802,022)	(196,165)
Opening shareholders' (deficit)/funds	(635,030)	(438,865)
Closing shareholders' deficit	<u>(1,437,051)</u>	<u>(635,030)</u>

### 14. ULTIMATE PARENT COMPANY

The immediate and ultimate parent company during the period was Filmnight Group Limited, a company incorporated in Guernsey. This is the largest group in which the results of Saffron Digital Limited are consolidated. Copies of the consolidated financial statements can be obtained from

Filmnight Group Limited  
26 Gategny Esplanade  
St Peter Port  
Guernsey GY1 3XH

### 14. POST BALANCE SHEET EVENTS

Subsequent to December 2006 and the time of preparation of this report and up to the time of preparation of these accounts the following events took place

In June 2007 a restructuring of the group took place whereby Filmnight Group Limited sold its shares in Filmnight Limited to Harmony Media Group Limited making them the parent company of the Filmnight Limited

In September 2007 Directors of the parent entity decided to discontinue the online DVD retailing business to focus on the mobile business

In November 2007 the company changed its name from Saffron Digital Limited to Saffron Digital Limited by special resolution of the Shareholder