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Company Registration No. 04371159 (England and Wales)

**SAFFRON DIGITAL LIMITED**  
**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**



# SAFFRON DIGITAL LIMITED

## COMPANY INFORMATION

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<b>Directors</b>	Chia-Lin Chang (Appointed 10 May 2012) Philemon Chen (Appointed 10 May 2012)
<b>Secretary</b>	Gen Keong Ng
<b>Company number</b>	04371159
<b>Registered office</b>	Nexus, 2nd Floor 25 Farringdon Street London EC4A 4AB
<b>Auditors</b>	Simmons Gainsford LLP 7/10 Chandos Street Cavendish Square London W1G 9DQ

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# SAFFRON DIGITAL LIMITED

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# SAFFRON DIGITAL LIMITED

## DIRECTORS' REPORT

### FOR THE YEAR ENDED 31 DECEMBER 2011

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The directors present their report and financial statements for the year ended 31 December 2011

#### Principal activities and review of the business

The principal activity of the company continued to be that of provider of video applications for mobile communications equipment

Saffron Digital Limited has experienced rapid growth over the last few years and continues to grow in 2012. During the period to 31st December 2011, Saffron Digital Limited has booked £8,215,822 (2010 £5,274,005) in revenue and profits of £1,056,694 (2010 £656,518)

Saffron Digital Limited forecasts that it will continue to grow its revenue in 2012 and expects to invest heavily in creating a highly scalable business for the forthcoming years

#### Results and dividends

The results for the year are set out on page 5

#### Directors

The following directors have held office since 1 January 2011

Gen Keong Ng	(Resigned 10 May 2012)
Chia-Lin Chang	(Appointed 10 May 2012)
Philemon Chen	(Appointed 10 May 2012)
Winston Kok Sang Yung	(Resigned 10 May 2012)

#### Auditors

Simmons Gainsford LLP were appointed auditors to the company and in accordance with section 485 of the Companies Act 2006, a resolution proposing that they be re-appointed will be put at a General Meeting

#### Statement of 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,
- 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

# **SAFFRON DIGITAL LIMITED**

## **DIRECTORS' REPORT (CONTINUED)**

**FOR THE YEAR ENDED 31 DECEMBER 2011**

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### **Statement of disclosure to auditors**

So far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware. Additionally, the directors have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditors are aware of that information.

On behalf of the board



Chia-Lin Chang

**Director**

27 September 2012

# **SAFFRON DIGITAL LIMITED**

## **INDEPENDENT AUDITORS' REPORT**

### **TO THE MEMBERS OF SAFFRON DIGITAL LIMITED**

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We have audited the financial statements of Saffron Digital Limited for the year ended 31 December 2011 set out on pages 5 to 14. 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 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**

As explained more fully in the Directors' Responsibilities Statement set out on pages 1 - 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

#### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

#### **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 December 2011 and of its profit 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 matter prescribed by the Companies Act 2006**

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

# SAFFRON DIGITAL LIMITED

## INDEPENDENT AUDITORS' REPORT (CONTINUED)

### TO THE MEMBERS OF SAFFRON DIGITAL LIMITED

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#### 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



**H Ming Sze FCA (Senior Statutory Auditor)**  
for and on behalf of Simmons Gainsford LLP

27 September 2012

**Chartered Accountants**  
**Statutory Auditor**

7/10 Chandos Street  
Cavendish Square  
London  
W1G 9DQ

# SAFFRON DIGITAL LIMITED

## PROFIT AND LOSS ACCOUNT

**FOR THE YEAR ENDED 31 DECEMBER 2011**

	Notes	2011 £	2010 £
Turnover	2	8,215,822	5,274,005
Cost of sales		(892,085)	(853,722)
Gross profit		7,323,737	4,420,283
Administrative expenses		(6,277,025)	(3,789,557)
Other operating income		14,000	85,977
Operating profit	3	1,060,712	716,703
Interest payable and similar charges	4	(4,018)	(60,185)
Profit on ordinary activities before taxation		1,056,694	656,518
Tax on profit on ordinary activities	5	-	-
Profit for the year	11	1,056,694	656,518

The profit and loss account has been prepared on the basis that all operations are continuing operations

There are no recognised gains and losses other than those passing through the profit and loss account



# SAFFRON DIGITAL LIMITED

## BALANCE SHEET

AS AT 31 DECEMBER 2011

	Notes	2011 £	£	2010 £	£
<b>Fixed assets</b>					
Intangible assets	6	-		15,432	
Tangible assets	7	310,715		163,828	
		<u>310,715</u>		<u>179,260</u>	
<b>Current assets</b>					
Debtors	8	4,120,334	2,064,139		
Cash at bank and in hand		<u>1,331,859</u>	<u>213,601</u>		
		5,452,193	2,277,740		
<b>Creditors: amounts falling due within one year</b>	9	<u>(2,771,351)</u>	<u>(3,588,593)</u>		
<b>Net current assets/(liabilities)</b>		<u>2,680,842</u>		<u>(1,310,853)</u>	
<b>Total assets less current liabilities</b>		<u>2,991,557</u>		<u>(1,131,593)</u>	
<b>Capital and reserves</b>					
Called up share capital	10	2,966,387		19,950	
Share premium account	11	1,105,069		985,050	
Profit and loss account	11	<u>(1,079,899)</u>		<u>(2,136,593)</u>	
<b>Shareholders' funds</b>	12	<u>2,991,557</u>		<u>(1,131,593)</u>	

Approved by the Board and authorised for issue on 27 September 2012



Chia-Lin Chang  
Director

Company Registration No. 04371159

# SAFFRON DIGITAL LIMITED

## CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2011

	£	2011 £	£	2010 £
<b>Net cash (outflow)/inflow from operating activities</b>		(1,584,045)		299,393
<b>Returns on investments and servicing of finance</b>				
Interest paid	(4,018)		(60,185)	
<b>Net cash outflow for returns on investments and servicing of finance</b>		(4,018)		(60,185)
<b>Taxation</b>		-		1,000
<b>Capital expenditure</b>				
Payments to acquire intangible assets	(99,934)		(34,467)	
Payments to acquire tangible assets	(260,201)		(136,428)	
<b>Net cash outflow for capital expenditure</b>		(360,135)		(170,895)
<b>Net cash (outflow)/inflow before management of liquid resources and financing</b>		(1,948,198)		69,313
<b>Financing</b>				
Issue of ordinary share capital	2,946,437		-	
Equity contribution by HTC Corporation	120,019		-	
<b>Net cash inflow/(outflow) from financing</b>		3,066,456		-
<b>Increase in cash in the year</b>		1,118,258		69,313

# SAFFRON DIGITAL LIMITED

## NOTES TO THE CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2011

1	Reconciliation of operating profit to net cash (outflow)/inflow from operating activities	2011		2010	
		£		£	
	Operating profit	1,060,712		716,703	
	Depreciation of tangible assets	113,314		64,675	
	Amortisation of intangible assets	115,366		38,417	
	Increase in debtors	(2,056,195)		(938,589)	
	(Decrease)/Increase in creditors within one year	(817,242)		418,187	
	<b>Net cash (outflow)/inflow from operating activities</b>	<b>(1,584,045)</b>		<b>299,393</b>	
2	Analysis of net funds	1 January 2011	Cash flow	Other non-cash changes	31 December 2011
		£	£	£	£
	Net cash				
	Cash at bank and in hand	213,601	1,118,258	-	1,331,859
	Bank deposits	-	-	-	-
	<b>Net funds</b>	<b>213,601</b>	<b>1,118,258</b>	<b>-</b>	<b>1,331,859</b>
3	Reconciliation of net cash flow to movement in net funds	2011		2010	
		£		£	
	Increase in cash in the year	1,118,258		69,313	
	<b>Movement in net funds in the year</b>	<b>1,118,258</b>		<b>69,313</b>	
	Opening net funds	213,601		144,288	
	<b>Closing net funds</b>	<b>1,331,859</b>		<b>213,601</b>	

# SAFFRON DIGITAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

### 1 Accounting policies

#### 1.1 Accounting convention

The financial statements are prepared under the historical cost convention

#### 1.2 Compliance with accounting standards

The financial statements are prepared in accordance with applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), which have been applied consistently (except as otherwise stated)

#### 1.3 Turnover

Turnover represents amounts receivable for services rendered net of VAT and trade discounts

#### 1.4 Patents

Patents are valued at cost less accumulated amortisation. Amortisation is calculated to write off the cost in equal annual instalments over their estimated useful lives

#### 1.5 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows

Land and buildings Leasehold	33 3% straight line
Computer equipment	33 3% straight line
Fixtures, fittings & equipment	20% straight line

#### 1.6 Leasing

Rentals payable under operating leases are charged against income on a straight line basis over the lease term

#### 1.7 Deferred taxation

Deferred taxation is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been discounted

#### 1.8 Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to profit and loss account

### 2 Turnover

#### Geographical market

	Turnover 2011 £	2010 £
UK	1,132,046	2,221,597
Europe	400,507	800,481
Rest of the world	6,683,269	2,251,927
	<u>8,215,822</u>	<u>5,274,005</u>

# SAFFRON DIGITAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2011

<b>3</b>	<b>Operating profit</b>	<b>2011</b>	<b>2010</b>
		<b>£</b>	<b>£</b>
	Operating profit is stated after charging		
	Amortisation of intangible assets	115,366	38,417
	Depreciation of tangible assets	113,314	64,675
	Loss on foreign exchange transactions	49,880	-
	Operating lease rentals		
	- Plant and machinery	6,028	-
	- Other assets	117,548	79,324
	Auditors' remuneration	23,800	12,875
	and after crediting		
	Profit on foreign exchange transactions	-	(2,457)
		<u>          </u>	<u>          </u>
<b>4</b>	<b>Interest payable</b>	<b>2011</b>	<b>2010</b>
		<b>£</b>	<b>£</b>
	On bank loans and overdrafts	-	2,876
	On other loans wholly repayable within five years	4,018	57,309
		<u>          </u>	<u>          </u>
		4,018	60,185
		<u>          </u>	<u>          </u>
<b>5</b>	<b>Taxation</b>	<b>2011</b>	<b>2010</b>
	<b>Total current tax</b>	<b>-</b>	<b>-</b>
		<u>          </u>	<u>          </u>
	<b>Factors affecting the tax charge for the year</b>		
	Profit on ordinary activities before taxation	1,056,694	656,518
		<u>          </u>	<u>          </u>
	Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 26 50% (2010 - 28 00%)	280,024	183,825
		<u>          </u>	<u>          </u>
	Effects of		
	Non deductible expenses	40,795	50,597
	Depreciation add back	30,028	18,109
	Capital allowances	(45,689)	(31,372)
	Tax losses utilised	-	(144,124)
	Other timing difference	(3,100)	7,131
	Other deductible expenses	(302,058)	(84,166)
		<u>          </u>	<u>          </u>
		(280,024)	(183,825)
		<u>          </u>	<u>          </u>
	<b>Current tax charge for the year</b>	<b>-</b>	<b>-</b>
		<u>          </u>	<u>          </u>

The company has estimated losses of £ 2,907,958 (2010 - £ 1,063,230) available for carry forward against future trading profits

# SAFFRON DIGITAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2011

#### 6 Intangible fixed assets

	Patents £
<b>Cost</b>	
At 1 January 2011	109,454
Additions	99,934
	<u>209,388</u>
At 31 December 2011	<u>209,388</u>
<b>Amortisation</b>	
At 1 January 2011	94,022
Charge for the year	115,366
	<u>209,388</u>
At 31 December 2011	<u>209,388</u>
<b>Net book value</b>	
At 31 December 2011	-
	<u>-</u>
At 31 December 2010	<u>15,432</u>

#### 7 Tangible fixed assets

	Land and buildings Leasehold £	Plant and machinery £	Fixtures, fittings & equipment £	Total £
<b>Cost</b>				
At 1 January 2011	22,587	273,573	59,572	355,732
Additions	-	245,411	14,790	260,201
	<u>22,587</u>	<u>518,984</u>	<u>74,362</u>	<u>615,933</u>
At 31 December 2011	<u>22,587</u>	<u>518,984</u>	<u>74,362</u>	<u>615,933</u>
<b>Depreciation</b>				
At 1 January 2011	22,587	152,305	17,012	191,904
Charge for the year	-	101,943	11,371	113,314
	<u>22,587</u>	<u>254,248</u>	<u>28,383</u>	<u>305,218</u>
At 31 December 2011	<u>22,587</u>	<u>254,248</u>	<u>28,383</u>	<u>305,218</u>
<b>Net book value</b>				
At 31 December 2011	-	264,736	45,979	310,715
	<u>-</u>	<u>264,736</u>	<u>45,979</u>	<u>310,715</u>
At 31 December 2010	-	121,268	42,560	163,828
	<u>-</u>	<u>121,268</u>	<u>42,560</u>	<u>163,828</u>

# SAFFRON DIGITAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2011

<b>8 Debtors</b>	<b>2011</b>	<b>2010</b>
	<b>£</b>	<b>£</b>
Trade debtors	758,589	702,434
Forward contract (euro) asset	-	15,958
Amounts owed by group undertakings	3,021,027	578,284
Other debtors	138,064	79,199
Accrued revenue	141,468	648,668
Prepayments and accrued income	61,186	39,596
	<u>4,120,334</u>	<u>2,064,139</u>
<b>9 Creditors: amounts falling due within one year</b>	<b>2011</b>	<b>2010</b>
	<b>£</b>	<b>£</b>
Trade creditors	462,005	665,685
Amounts owed to group undertakings	622,167	1,537,036
Taxes and social security costs	574,602	68,271
Directors' current accounts	-	271,907
Other creditors	44,079	101,063
Accruals and deferred income	1,068,498	944,631
	<u>2,771,351</u>	<u>3,588,593</u>
<b>10 Share capital</b>	<b>2011</b>	<b>2010</b>
	<b>£</b>	<b>£</b>
<b>Allotted, called up and fully paid</b>		
296,638,744 Ordinary shares of 1p each	<u>2,966,387</u>	<u>19,950</u>

During the year 294,643,744 Ordinary shares of £0.01 each were issued and fully paid at par

# SAFFRON DIGITAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2011

#### 11 Statement of movements on reserves

	Share premium account £	Profit and loss account £
Balance at 1 January 2011	985,050	(2,136,593)
Profit for the year	-	1,056,694
Equity contribution of holding company	120,019	-
Balance at 31 December 2011	<u>1,105,069</u>	<u>(1,079,899)</u>
<b>Share based reserves</b>		
Addition in the year	<u>120,019</u>	
Balance at 31 December 2011	<u>120,019</u>	

The reserve of £120,019 (2010 £nil) represents an equity contribution by the ultimate parent company, HTC Corporation, in awarding a share based payment to a former employee

#### 12 Reconciliation of movements in shareholders' funds

	2011 £	2010 £
Profit for the financial year	1,056,694	656,518
Proceeds from issue of shares	2,946,437	-
Equity contribution on employee share award	120,019	-
Net addition to shareholders' funds	<u>4,123,150</u>	<u>656,518</u>
Opening shareholders' funds	<u>(1,131,593)</u>	<u>(1,788,111)</u>
Closing shareholders' funds	<u>2,991,557</u>	<u>(1,131,593)</u>

#### 13 Directors' remuneration

	2011 £	2010 £
Remuneration for qualifying services	<u>-</u>	<u>467,801</u>
Remuneration disclosed above include the following amounts paid to the highest paid director		
Remuneration for qualifying services	<u>-</u>	<u>208,333</u>



# SAFFRON DIGITAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2011

### 14 Employees

#### Number of employees

The average monthly number of employees (including directors) during the year was

	2011 Number	2010 Number
Employees	90	41

#### Employment costs

	2011 £	2010 £
Wages and salaries	4,280,381	2,260,439
Social security costs	480,889	247,266
	4,761,270	2,507,705

During the year, the ultimate parent company, HTC Corporation has awarded ordinary shares at the market value of £120,019 (2010 £nil) to a former employee

### 15 Control

The company is a wholly owned subsidiary of Saffron Media Group Limited which is incorporated in the United Kingdom in both the current and prior year

The Ultimate parent company is HTC Corporation, a company incorporated in Taiwan, Republic of China and listed on the Taipei International Stock Exchange, in the current year

The only group in which results are consolidated is that headed by HTC Corporation. The consolidated accounts of HTC Corporation are available for inspection at 23 Hsin Hwa Road, Taoyuan, Taiwan, Republic of China

### 16 Related party relationships and transactions

The company has taken advantage of the exemption available in FRS 8 "Related party disclosures" whereby it has not disclosed transactions with the ultimate parent company or any wholly owned subsidiary undertaking of the group

As at 31 December 2011, Saffron Media Group Limited owed the company a balance of £586,437 (2010 £1,537,036 owed to Saffron Media Group Limited). As at 31 December 2011, Saffron Digital Inc. owed the company a balance of £657,405 (2010 £578,294). As at 31 December 2011, HTC Corporation owed the company a balance of £1,776,727 (2010 £nil). As at 31 December 2011, HTC America Inc. owed the company a balance of £458 (2010 £nil). As at 31 December 2011, the company owed HTC Europe Co Limited a balance of £622,167 (2010 £nil).