

Company Registration No 04371159 (England and Wales)

**SAFFRON DIGITAL LIMITED**  
**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2012**



# SAFFRON DIGITAL LIMITED

## COMPANY INFORMATION

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Directors	Chia-Lin Chang Philemon Chen
Secretary	Gen Keong Ng
Company number	04371159
Registered office	Nexus, 2nd Floor 25 Farringdon Street London EC4A 4AB
Auditors	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 2012**

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The directors present their report and financial statements for the year ended 31 December 2012

#### **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 2013. During the period to 31st December 2012, Saffron Digital Limited has booked £12,516,562 (2011 £8,215,822) in turnover and profit before tax of £47,823 (2011 £1,056,694)

Saffron Digital Limited forecasts that it will continue to grow its revenue in 2013 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 2012

Chia-Lin Chang  
Philemon Chen

#### **Principal risks and uncertainties**

##### Cash flow risk

Saffron Digital Limited relies on the client to receive the revenue share of the service it operates. The risk is that the company may be unable to collect the revenue share from the client.

When the money due from clients are not received within the credit term period, which may affect the operational cashflow activity. But company has effective cashflow management to predict the risk.

##### Foreign currency risk

Saffron Digital Limited receives funds from clients in GBP, therefore there is no FX risk associated to our receivables. However, the company processes payments in different currencies which leads to FX difference i.e. gain/loss, but this amount is not material to company's financial statements.

##### Revenue risk

Saffron Digital Limited continues to invest in winning new business from new clients. Where SDL does not win new business from new clients it causes risk to the financial performance of the business.

#### **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.

# SAFFRON DIGITAL LIMITED

## DIRECTORS' REPORT (CONTINUED)

**FOR THE YEAR ENDED 31 DECEMBER 2012**

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### 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,
- 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.

### 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  
8 July 2013

# **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 2012 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 2012 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

8 July 2013

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 2012

	Notes	2012 £	2011 £
Turnover	2	12,516,562	8,215,822
Cost of sales		(2,286,587)	(892,085)
Gross profit		10,229,975	7,323,737
Administrative expenses		(10,265,446)	(6,277,025)
Other operating income		93,758	14,000
Operating profit	3	58,287	1,060,712
Other interest receivable and similar income	4	509	-
Interest payable and similar charges	5	(10,973)	(4,018)
Profit on ordinary activities before taxation		47,823	1,056,694
Tax on profit on ordinary activities	6	-	-
Profit for the year	13	47,823	1,056,694

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



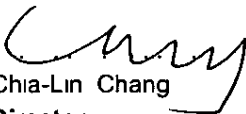
# SAFFRON DIGITAL LIMITED

## BALANCE SHEET

AS AT 31 DECEMBER 2012

	Notes	2012 £	£	2011 £	£
<b>Fixed assets</b>					
Tangible assets	8	1,044,305		310,715	
<b>Current assets</b>					
Debtors	9	1,488,160		4,120,334	
Cash at bank and in hand		3,235,460		1,331,859	
		<u>4,723,620</u>		<u>5,452,193</u>	
<b>Creditors: amounts falling due within one year</b>	10	<u>(2,728,545)</u>		<u>(2,771,351)</u>	
<b>Net current assets</b>		<u>1,995,075</u>		<u>2,680,842</u>	
<b>Total assets less current liabilities</b>		<u>3,039,380</u>		<u>2,991,557</u>	
<b>Capital and reserves</b>					
Called up share capital	12	2,966,387		2,966,387	
Share premium account	13	1,105,069		1,105,069	
Profit and loss account	13	<u>(1,032,076)</u>		<u>(1,079,899)</u>	
<b>Shareholders' funds</b>	14	<u>3,039,380</u>		<u>2,991,557</u>	

Approved by the Board and authorised for issue on 8 July 2013

  
Chia-Lin Chang  
Director

Company Registration No. 04371159

# SAFFRON DIGITAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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### 1 Accounting policies

#### 1.1 Accounting convention

The financial statements are prepared under the historical cost convention

The company has taken advantage of the exemption in Financial Reporting Standard No 1 (Revised 1996) from the requirement to produce a cash flow statement on the grounds that it is a subsidiary undertaking where 90 percent or more of the voting rights are controlled within the group

#### 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. The company generates revenue by providing design, development, and media delivery services to its customers. Revenue on sales of services is recognised when services are rendered, as evidenced by arrangements with customers, based on actual service provided in relation to the total of services to be provided

#### 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	20% 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 Pensions

The company operates a defined contribution scheme for the benefit of its employees. Contributions payable are charged to the profit and loss account in the year they are payable

#### 1.8 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

#### 1.9 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

# SAFFRON DIGITAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2012

### 2 Turnover

#### Geographical market

	Turnover 2012 £	2011 £
UK	2,172,838	1,132,046
Europe	66,009	400,507
Rest of the world	10,277,715	6,683,269
	<u>12,516,562</u>	<u>8,215,822</u>

### 3 Operating profit

	2012 £	2011 £
Operating profit is stated after charging		
Amortisation of intangible assets	-	115,366
Depreciation of tangible assets	244,274	113,314
Loss on disposal of tangible assets	33,791	-
Loss on foreign exchange transactions	14,778	49,880
Operating lease rentals		
- Plant and machinery	13,637	6,028
- Other assets	439,045	117,548
Fees payable to the company's auditor for the audit of the company's annual accounts	<u>15,583</u>	<u>23,800</u>

### 4 Investment income

	2012 £	2011 £
Bank interest	<u>509</u>	-
	<u>509</u>	-

### 5 Interest payable

	2012 £	2011 £
On bank loans and overdrafts	6	-
On other loans wholly repayable within five years	<u>10,967</u>	<u>4,018</u>
	<u>10,973</u>	<u>4,018</u>

# SAFFRON DIGITAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2012

6	Taxation	2012	2011
	Total current tax	-	-
	<b>Factors affecting the tax charge for the year</b>		
	Profit on ordinary activities before taxation	47,823	1,056,694
	Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 24.00% (2011 - 26.00%)	11,478	274,740
	Effects of		
	Non deductible expenses	12,250	44,261
	Depreciation add back	58,626	29,461
	Capital allowances	(43,562)	(37,425)
	Other timing difference	(18,816)	(3,015)
	Other deductible expenses	(19,976)	(308,022)
		(11,478)	(274,740)
	<b>Current tax charge for the year</b>	-	-

The company has estimated losses of £ 3,066,899 (2011 - £ 3,098,484) available for carry forward against future trading profits

7	Intangible fixed assets	Patents £
	<b>Cost</b>	
	At 1 January 2012 & at 31 December 2012	209,388
	<b>Amortisation</b>	
	At 1 January 2012 & at 31 December 2012	209,388
	<b>Net book value</b>	
	At 31 December 2012	-
	At 31 December 2011	-

# SAFFRON DIGITAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2012

### 8 Tangible fixed assets

	Land and buildings Leasehold	Plant and machinery	Fixtures, fittings & equipment	Total
	£	£	£	£
<b>Cost</b>				
At 1 January 2012	22,587	518,984	74,362	615,933
Additions	619,831	195,046	198,129	1,013,006
Disposals	-	(1,121)	(60,289)	(61,410)
At 31 December 2012	642,418	712,909	212,202	1,567,529
<b>Depreciation</b>				
At 1 January 2012	22,587	254,248	28,383	305,218
On disposals	-	(560)	(25,709)	(26,269)
Charge for the year	53,564	162,306	28,405	244,275
At 31 December 2012	76,151	415,994	31,079	523,224
<b>Net book value</b>				
At 31 December 2012	566,267	296,915	181,123	1,044,305
At 31 December 2011	-	264,736	45,979	310,715

### 9 Debtors

	2012 £	2011 £
Trade debtors	257,272	758,589
Amounts owed by group undertakings	707,844	3,021,027
Other debtors	139,709	138,064
Accrued revenue	246,519	141,468
Prepayments and accrued income	136,816	61,186
	<u>1,488,160</u>	<u>4,120,334</u>

# SAFFRON DIGITAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2012

<b>10 Creditors amounts falling due within one year</b>	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>£</b>
Trade creditors	283,033	462,005
Amounts owed to parent and fellow subsidiary undertakings	26,962	622,167
Taxes and social security costs	157,671	574,602
Other creditors	31,727	44,079
Accruals and deferred income	2,229,152	1,068,498
	<u>2,728,545</u>	<u>2,771,351</u>
<b>11 Pension and other post-retirement benefit commitments</b>	<b>2012</b>	<b>2011</b>
<b>Defined contribution</b>	<b>£</b>	<b>£</b>
Contributions payable by the company for the year	<u>63,433</u>	<u>-</u>
<b>12 Share capital</b>	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>Unaudited £</b>
<b>Allotted, called up and fully paid</b>		
296,638,744 Ordinary shares of £0.01 each	<u>2,966,387</u>	<u>2,966,387</u>
<b>13 Statement of movements on reserves</b>	<b>Share premium account £</b>	<b>Profit and loss account £</b>
Balance at 1 January 2012	1,105,069	(1,079,899)
Profit for the year	-	47,823
Balance at 31 December 2012	<u>1,105,069</u>	<u>(1,032,076)</u>

# SAFFRON DIGITAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2012

<b>14 Reconciliation of movements in shareholders' funds</b>	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>£</b>
Profit for the financial year	47,823	1,056,694
Proceeds from issue of shares	-	2,946,437
Cost of share issue written off to share premium account	-	120,019
	<u>47,823</u>	<u>4,123,150</u>
Net addition to shareholders' funds	47,823	4,123,150
Opening shareholders' funds	2,991,557	(1,131,593)
	<u>2,991,557</u>	<u>(1,131,593)</u>
Closing shareholders' funds	<u>3,039,380</u>	<u>2,991,557</u>

## 15 Financial commitments

At 31 December 2012 the company was committed to making the following payments under non-cancellable operating leases in the year to 31 December 2013

	<b>Land and buildings</b>		<b>Other</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Operating leases which expire				
Within one year	-	-	6,778	-
Between two and five years	440,678	-	-	-
	<u>440,678</u>	<u>-</u>	<u>6,778</u>	<u>-</u>

# SAFFRON DIGITAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2012

#### 16 Employees

##### Number of employees

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

	2012 Number	2011 Number
Employees	107	90

##### Employment costs

	2012 £	2011 £
Wages and salaries	5,968,527	3,549,531
Social security costs	694,576	480,889
Other pension costs	63,433	-
	6,726,536	4,030,420

#### 17 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 both the current and prior 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 Xinghua Road, Taoyuan, Taiwan, Republic of China



# SAFFRON DIGITAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2012

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#### 18 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

At the year end the following balances were due from/(owed to) related parties

Name of related party	2012 £	2013 £	Relationship	Country of Incorporation
Saffron Media Group Limited	14,350	586,437	Immediate parent	England and Wales
Saffron Digital Inc	322,018	657,405	Fellow subsidiary	USA
HTC Corporation	343,097	1,776,727	Ultimate parent	Taiwan
HTC Europe Co Limited	27,832	(622,167)	Fellow subsidiary	England and Wales
HTC Comm Canada	547	-	Fellow subsidiary	Canada
HTC America Inc	(26,962)	458	Fellow subsidiary	USA