

BREAKTHROUGH MEDIA NETWORK LIMITED
ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016



BREAKTHROUGH MEDIA NETWORK LIMITED

COMPANY INFORMATION

| | |
|--------------------------|--|
| Directors | Mr S Brown Mr R Elliott |
| Company number | 06651251 |
| Registered office | 1st Floor, Block 2 Elizabeth House 39 York Road London SE1 7NQ |
| Auditor | Blinkhorns 27 Mortimer Street London W1T 3BL |

BREAKTHROUGH MEDIA NETWORK LIMITED

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BREAKTHROUGH MEDIA NETWORK LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 MARCH 2016

The directors present the strategic report for the year ended 31 March 2016.

Fair review of the business

Breakthrough is a communications agency that delivers a range of services to its clients including research, strategy, creative concepts, technical build, multimedia production, dissemination and evaluation. Our clients include government departments, inter-government bodies, NGOs and private companies. We specialise in building campaigns and movements that change the way people think, feel and behave across a range of issues including violent extremism, social cohesion and climate change. The company is head-quartered in London, and has regional offices in Sydney, Australia; Nairobi, Kenya and Mogadishu, Somalia.

The company's success is dependent on continuing to deliver excellent work to its existing clients and diversifying its overall client base. We are growing our teams across all departments in the UK, establishing a new Strategy and Research department, and setting up a new international projects unit headed up by its own Managing Director. As always, delivering quality content and campaigns in line with our client's objectives and expectations remains a top priority.

Principal risks and uncertainties

The key risks facing the company are deemed by the Director's to be:

Client concentration: We are focused on, and are successfully diversifying our client base having recently won new contracts with new clients in the UK and overseas.

Safety and security of our staff: We sometimes operate in hostile environments where there is a potential risk to our staff's safety and security. On such projects we regularly update our health and safety policies and consult with specialist experts who work closely with our Project Managers to regularly monitor risk.

Business interruption: Major natural, social or political incidents can sometimes disrupt our client's ability to award projects, make decisions and approve work. Our focus on winning work with multiple clients as well as our ability to be flexible and offer specialist consultancy to our clients to help them through difficult periods minimises this risk.

Bad press and PR: Breakthrough's projects are often politically and socially sensitive and might attract negative press from reporters and those critical of government policy. Breakthrough is planning PR activity to better inform journalists and the public of its work bearing in mind the confidentiality agreements in place with our clients.

Analysis of Business environment and future developments

As the information environment becomes increasingly complex given the range of issues faced by governments and organisations – terrorism, religious fundamentalism and extreme politics – the need for effective communications that reduce social tensions and harm will also increase.

- Breakthrough specialises in communications services related to these complex issues. Communications services of this kind are procured through government frameworks, competitive tenders and occasionally through single source bids.
- Breakthrough is well adept at winning via competitive tenders, following up on referrals, and is pro-actively seeking out opportunities to get on government frameworks.

BREAKTHROUGH MEDIA NETWORK LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2016

Key performance indicators

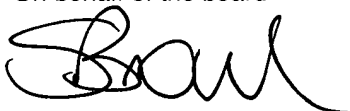
Breakthrough has continued to expand year on year, going from strength to strength, and has achieved outstanding results for its 4th year of trading in 2015/16. Key performance indicators for the year are:

- Revenues are £13.6m, an increase of 77% on prior year revenues of £7.6m. This was due to growing existing client contracts, as well as expanding into new domains with new client relationships.
- Earnings before interest, tax and depreciation (EBITDA) are £2.2m, an increase on prior year EBITDA of £1.5m. EBITDA % is strong at 16%, which was down from the prior year EBITDA% of 20% due to the company winning grants that attract a 0% profit margin in order to establish new relationships with clients.
- Cash at bank at the end of the year is £1.1m, an increase on prior year balance of £0.6m.
- Current ratio is strong at 1.7, an increase on prior year current ratio of 1.55. The company continues to have no bank loans or borrowings.
- At the year end shareholder's funds were £1,913,417 (2015: £1,208,055).

Diversity

Breakthrough relies on hiring a diverse workforce from different professional and cultural backgrounds, and to that end we have a policy of pro-actively encouraging a variety of peoples to our company to represent the diverse range of subjects associated with our projects.

On behalf of the board



Mr S Brown

Director

15 December 2016

BREAKTHROUGH MEDIA NETWORK LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2016

The directors present their annual report and financial statements for the year ended 31 March 2016.

Principal activities

The principal activity of the company continued to be that of a communications and production agency.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Mr S Brown
Mr R Elliott

Results and dividends

The results for the year are set out on page 7.

Ordinary dividends were paid amounting to £950,000. The directors do not recommend payment of a final dividend.

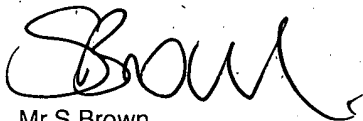
Auditor

Blinkhorns were appointed as auditor 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 disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually 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 auditor is aware of that information.

On behalf of the board



Mr S Brown
Director

15 December 2016

BREAKTHROUGH MEDIA NETWORK LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 MARCH 2016

The directors are responsible for preparing the annual 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.

BREAKTHROUGH MEDIA NETWORK LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF BREAKTHROUGH MEDIA NETWORK LIMITED

We have audited the financial statements of Breakthrough Media Network Limited for the year ended 31 March 2016 set out on pages 7 to 23. 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), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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 auditor's 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 auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 4, 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 Financial Reporting Council's Ethical Standard 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 group's and the parent 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 annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 group's and the parent company's affairs as at 31 March 2016 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 matters prescribed by the Companies Act 2006

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

BREAKTHROUGH MEDIA NETWORK LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF BREAKTHROUGH MEDIA NETWORK LIMITED

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.

Graham Martin FCCA (Senior Statutory Auditor)
for and on behalf of Blinkhorns

15 December 2016

Statutory Auditor

27 Mortimer Street
London
W1T 3BL

BREAKTHROUGH MEDIA NETWORK LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 MARCH 2016

| | Notes | 2016 £ | 2015 £ |
|--|-------|------------------|------------------|
| Turnover | 3 | 13,601,787 | 7,663,038 |
| Cost of sales | | (10,880,515) | (5,835,397) |
| Gross profit | | 2,721,272 | 1,827,641 |
| Administrative expenses | | (600,489) | (305,739) |
| Operating profit | 4 | 2,120,783 | 1,521,902 |
| Interest receivable and similar income | 6 | 733 | - |
| Profit before taxation | | 2,121,516 | 1,521,902 |
| Taxation | 7 | (436,027) | (328,212) |
| Profit for the financial year | | 1,685,489 | 1,193,690 |

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

BREAKTHROUGH MEDIA NETWORK LIMITED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2016

| | 2016 £ | 2015 £ |
|---|------------------|------------------|
| Profit for the year | 1,685,489 | 1,193,690 |
| Other comprehensive income | - | - |
| Total comprehensive income for the year | <u>1,685,489</u> | <u>1,193,690</u> |

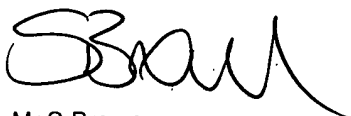
BREAKTHROUGH MEDIA NETWORK LIMITED

CONSOLIDATED BALANCE SHEET

AS AT 31 MARCH 2016

| | Notes | 2016 £ | £ | 2015 £ | £ |
|---|-------|--------------------|------------------|--------------------|------------------|
| Fixed assets | | | | | |
| Tangible assets | 9 | | 169,249 | | 74,543 |
| Investments | 10 | | - | | - |
| | | | <u>169,249</u> | | <u>74,544</u> |
| Current assets | | | | | |
| Debtors | 13 | 3,197,280 | | 2,608,487 | |
| Investments | | | | | - |
| Cash at bank and in hand | | <u>1,132,604</u> | | <u>618,500</u> | |
| | | 4,329,884 | | 3,226,987 | |
| Creditors: amounts falling due within one year | 14 | <u>(2,552,422)</u> | | <u>(2,078,946)</u> | |
| Net current assets | | | <u>1,777,462</u> | | <u>1,148,041</u> |
| Total assets less current liabilities | | | <u>1,946,711</u> | | <u>1,222,585</u> |
| Provisions for liabilities | 15 | | <u>(33,294)</u> | | <u>(14,529)</u> |
| Net assets | | | <u>1,913,417</u> | | <u>1,208,056</u> |
| Capital and reserves | | | | | |
| Called up share capital | 17 | | 100 | | 100 |
| Profit and loss reserves | | | <u>1,913,317</u> | | <u>1,207,955</u> |
| Total equity | | | <u>1,913,417</u> | | <u>1,208,055</u> |

The financial statements were approved by the board of directors and authorised for issue on 15 December 2016 and are signed on its behalf by:



Mr S Brown
Director



Mr R Elliott
Director

Company Registration No. 06651251


BREAKTHROUGH MEDIA NETWORK LIMITED

COMPANY BALANCE SHEET

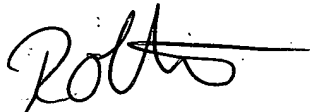
AS AT 31 MARCH 2016

| | Notes | 2016 £ | £ | 2015 £ | £ |
|---|-------|--------------------|---|--------------------|---|
| Fixed assets | | | | | |
| Tangible assets | 9 | 166,467 | | 69,185 | |
| Investments | 10 | 743 | | 743 | |
| | | <u>167,210</u> | | <u>69,928</u> | |
| Current assets | | | | | |
| Debtors | 13 | 3,215,040 | | 2,613,870 | |
| Loan to subsidiary | | 13,245 | | - | |
| Cash at bank and in hand | | <u>1,132,505</u> | | <u>618,419</u> | |
| | | 4,360,790 | | 3,232,289 | |
| Creditors: amounts falling due within one year | 14 | <u>(2,541,041)</u> | | <u>(2,078,946)</u> | |
| Net current assets | | <u>1,819,749</u> | | <u>1,153,343</u> | |
| Total assets less current liabilities | | <u>1,986,959</u> | | <u>1,223,271</u> | |
| Provisions for liabilities | 15 | <u>(33,294)</u> | | <u>(14,529)</u> | |
| Net assets | | <u>1,953,665</u> | | <u>1,208,742</u> | |
| Capital and reserves | | | | | |
| Called up share capital | 17 | 100 | | 100 | |
| Profit and loss reserves | | <u>1,953,565</u> | | <u>1,208,642</u> | |
| Total equity | | <u>1,953,665</u> | | <u>1,208,742</u> | |

The financial statements were approved by the board of directors and authorised for issue on 15 December 2016 and are signed on its behalf by:



Mr S Brown
Director



Mr R Elliott
Director

Company Registration No. 06651251

BREAKTHROUGH MEDIA NETWORK LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2016

| | Notes | Share capital £ | Profit and loss reserves £ | Total £ |
|--|-------|--------------------|-------------------------------|------------|
| Balance at 1 April 2014 | | 100 | 187,314 | 187,414 |
| Year ended 31 March 2015: | | | | |
| Profit and total comprehensive income for the year | | - | 1,193,690 | 1,193,690 |
| Adjustments on consolidation | | - | (12,049) | (12,049) |
| Dividends | 8 | - | (161,000) | (161,000) |
| Balance at 31 March 2015 | | 100 | 1,207,955 | 1,208,055 |
| Year ended 31 March 2016: | | | | |
| Profit and total comprehensive income for the year | | - | 1,685,489 | 1,685,489 |
| Adjustments on consolidation | | - | (30,127) | (30,127) |
| Dividends | 8 | - | (950,000) | (950,000) |
| Balance at 31 March 2016 | | 100 | 1,913,317 | 1,913,417 |

BREAKTHROUGH MEDIA NETWORK LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2016

| | Notes | 2016 £ | £ | 2015 £ | £ |
|--|-------|-------------------------|---|-----------------------|---|
| Cash flows from operating activities | | | | | |
| Cash generated from operations | 18 | 1,925,866 | | 679,191 | |
| Corporate taxes paid | | (313,879) | | (77,346) | |
| Net cash inflow from operating activities | | <u>1,611,987</u> | | <u>601,845</u> | |
| Investing activities | | | | | |
| Purchase of tangible fixed assets | | (148,616) | | (68,256) | |
| Loans made to subsidiaries | | - | | - | |
| Interest received | | 733 | | - | |
| Net cash used in investing activities | | <u>(147,883)</u> | | <u>(68,256)</u> | |
| Financing activities | | | | | |
| Dividends paid | | (950,000) | | (161,000) | |
| Net cash used in financing activities | | <u>(950,000)</u> | | <u>(161,000)</u> | |
| Net increase in cash and cash equivalents | | 514,104 | | 372,589 | |
| Cash and cash equivalents at beginning of year | | <u>618,500</u> | | <u>245,911</u> | |
| Cash and cash equivalents at end of year | | <u><u>1,132,604</u></u> | | <u><u>618,500</u></u> | |

BREAKTHROUGH MEDIA NETWORK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2016

1 Accounting policies

Company information

Breakthrough Media Network Limited is a company limited by shares incorporated in England and Wales, with company registration 06651251. The registered office is 1st Floor, Block 2, Elizabeth House, 39 York Road, London, SE1 7NQ.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of freehold properties and to include investment properties and certain financial instruments at fair value. The principal accounting policies adopted are set out below.

These financial statements for the year ended 31 March 2016 are the first financial statements of Breakthrough Media Network Limited prepared in accordance with FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland. The date of transition to FRS 102 was 1 April 2014. An explanation of how transition to FRS 102 has affected the reported financial position and financial performance is given in note 20.

1.2 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

1.3 Basis of preparation

The group financial statements consolidate the financial statements of Breakthrough Media Network Limited and its subsidiaries, Breakthrough Media Network Limited a company registered in Kenya, Breakthrough Media Network PTY Limited a company registered in Australia.

These financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 – 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ('FRS 102'), and with the Companies Act 2006. The financial statements have been prepared on the historical cost basis except for the modification to a fair value basis for certain financial instruments as specified in the accounting policies below.

This is the first year in which consolidated financial statements have been prepared.

The parent company has taken advantage of section 408 of the Companies Act 2006 and has not included its own Profit and Loss Account in these financial statements. The parent company's profit before tax for the year was £2,121,516 (2015: £1,521,902).

1.4 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

When cash inflows are deferred and represent a financing arrangement, the fair value of the consideration is the present value of the future receipts. The difference between the fair value of the consideration and the nominal amount received is recognised as interest income.

BREAKTHROUGH MEDIA NETWORK LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2016

1 Accounting policies

1.5 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

| | |
|--------------------------------|-------------------|
| Fixtures, fittings & equipment | 33% straight line |
|--------------------------------|-------------------|

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

1.6 Fixed asset investments

Interests in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

A subsidiary is an entity controlled by the company. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

1.7 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

1.8 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.9 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transactions, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

BREAKTHROUGH MEDIA NETWORK LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2016

1 Accounting policies

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. The impairment loss is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

BREAKTHROUGH MEDIA NETWORK LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2016

1 Accounting policies

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Derecognition of financial liabilities

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

1.10 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.11 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end 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 profit and loss account, 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 assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

BREAKTHROUGH MEDIA NETWORK LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2016

1 Accounting policies

1.12 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

During the year share options were granted and held by four employees under an EMI scheme with an exercise price of £0.01 per share. Each option granted is the lower of 1,000 or such number of shares as would represent 4% by number of the Company's entire issued, and fully diluted, ordinary share capital immediately after the exercise. The options may be exercised over vested shares on a Sale, Change of Control other than a Reorganisation, Scheme of Arrangement, Compulsory Share Purchase or the winding-up of the Company.

At the period end none of the options have been exercised. No charge has been made to the profit and loss account in respect of the outstanding options due to it not being possible to quantify the vesting period at this time.

1.13 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation are included in the profit and loss account for the period.

BREAKTHROUGH MEDIA NETWORK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2016

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

3 Turnover and other revenue

An analysis of the company's turnover is as follows:

| | 2016 £ | 2015 £ |
|------------------|-------------------|------------------|
| Turnover | | |
| Sale of services | <u>13,601,787</u> | <u>7,663,038</u> |

Other significant revenue

| | | |
|-----------------|------------|----------|
| Interest income | <u>733</u> | <u>-</u> |
|-----------------|------------|----------|

Turnover analysed by geographical market

| | 2016 £ | 2015 £ |
|-------------------|-------------------|------------------|
| United Kingdom | 13,141,787 | 7,663,038 |
| USA | 129,000 | - |
| Rest of the world | 331,000 | - |
| | <u>13,601,787</u> | <u>7,663,038</u> |

4 Operating profit

| | 2016 £ | 2015 £ |
|---|---------------|---------------|
| Operating profit for the year is stated after charging/(crediting): | | |
| Auditors Remuneration | 8,110 | - |
| Exchange (losses)/gains | 32,789 | (42,135) |
| Depreciation of owned tangible fixed assets | <u>53,911</u> | <u>27,115</u> |

5 Directors' remuneration

| | 2016 £ | 2015 £ |
|--------------------------------------|---------------|---------------|
| Remuneration for qualifying services | <u>19,583</u> | <u>20,564</u> |

BREAKTHROUGH MEDIA NETWORK LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2016

6 Interest receivable and similar income

| | 2016 | 2015 |
|--|-------------|-------------|
| | £ | £ |
| Interest income | | |
| Interest on bank deposits | 733 | - |
| | <u>733</u> | <u>-</u> |
| Investment income includes the following: | | |
| Interest on financial assets not measured at fair value through profit or loss | 733 | - |
| | <u>733</u> | <u>-</u> |

7 Taxation

| | 2016 | 2015 |
|---|----------------|----------------|
| | £ | £ |
| Current tax | | |
| Corporation tax on profits for the current period | 417,263 | 315,506 |
| | <u>417,263</u> | <u>315,506</u> |
| Deferred tax | | |
| Origination and reversal of timing differences | 18,764 | 12,706 |
| | <u>18,764</u> | <u>12,706</u> |
| Total tax charge | <u>436,027</u> | <u>328,212</u> |

The actual charge for the year can be reconciled to the expected charge based on the profit or loss and the standard rate of tax as follows:

| | 2016 | 2015 |
|--|------------------|------------------|
| | £ | £ |
| Profit before taxation | 2,121,516 | 1,521,902 |
| | <u>2,121,516</u> | <u>1,521,902</u> |
| Expected tax charge based on the standard rate of corporation tax in the UK of 20.00% (2015: 21.00%) | 424,303 | 319,599 |
| Tax effect of expenses that are not deductible in determining taxable profit | 13,249 | 8,526 |
| Permanent capital allowances in excess of depreciation | (10,959) | (1,628) |
| Foreign tax | 9,434 | 1,729 |
| Tax at marginal rate | - | (14) |
| | <u>436,027</u> | <u>328,212</u> |
| Tax expense for the year | <u>436,027</u> | <u>328,212</u> |

8 Dividends

| | 2016 | 2015 |
|--------------|----------------|----------------|
| | £ | £ |
| Interim paid | 950,000 | 161,000 |
| | <u>950,000</u> | <u>161,000</u> |

BREAKTHROUGH MEDIA NETWORK LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2016

9 Tangible fixed assets

| | Group Fixtures, fittings & equipment | Company Fixtures, fittings & equipment |
|------------------------------------|--|--|
| | £ | £ |
| Cost | | |
| At 1 April 2015 | 142,557 | 132,180 |
| Additions | 148,616 | 148,616 |
| At 31 March 2016 | 291,173 | 280,796 |
| Depreciation and impairment | | |
| At 1 April 2015 | 68,014 | 62,995 |
| Depreciation charged in the year | 53,910 | 51,334 |
| At 31 March 2016 | 121,924 | 114,329 |
| Carrying amount | | |
| At 31 March 2016 | 169,249 | 166,467 |
| At 31 March 2015 | 74,543 | 69,185 |

10 Investments

| | Group | Company |
|-----------------------------|-----------|-----------|
| | 2016 £ | 2015 £ |
| Investments in subsidiaries | - | 743 |
| | - | 743 |

BREAKTHROUGH MEDIA NETWORK LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2016

11 Subsidiaries

Details of the company's subsidiaries at 31 March 2016 are as follows:

| Name of undertaking and country of incorporation or residency | Nature of business | Class of shareholding | % Held | |
|---|--------------------|--|-----------------|----------|
| | | | Direct | Indirect |
| Breakthrough Media Network Limited | Kenya | Creation, developing and production of films | Ordinary shares | 99.00 |
| Breakthrough Media Network PTY Limited | Australia | Creation, developing and production of films | Ordinary shares | 100.00 |

12 Financial instruments

| | 2016 £ | 2015 £ |
|---|-----------|-----------|
| Carrying amount of financial assets | | |
| Debt instruments measured at amortised cost | 2,927,624 | 2,198,712 |
| Equity instruments measured at cost less impairment | - | - |
| Carrying amount of financial liabilities | | |
| Measured at amortised cost | 1,088,366 | 906,387 |

13 Debtors

| | Group | | Company | |
|---|------------------|------------------|------------------|------------------|
| | 2016 £ | 2015 £ | 2016 £ | 2015 £ |
| Amounts falling due within one year: | | | | |
| Trade debtors | 2,855,052 | 2,172,512 | 2,855,052 | 2,172,512 |
| Other debtors | 54,812 | 26,200 | 72,572 | 26,200 |
| Prepayments and accrued income | 287,416 | 415,158 | 287,416 | 415,158 |
| | <u>3,197,280</u> | <u>2,613,870</u> | <u>3,215,040</u> | <u>2,613,870</u> |

BREAKTHROUGH MEDIA NETWORK LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2016

14 Creditors: amounts falling due within one year

| | Group | | Company | |
|------------------------------------|------------------|------------------|------------------|------------------|
| | 2016 | 2015 | 2016 | 2015 |
| | £ | £ | £ | £ |
| Trade creditors | 1,057,807 | 859,422 | 1,057,807 | 859,422 |
| Corporation tax | 417,070 | 313,777 | 407,726 | 313,777 |
| Other taxation and social security | 869,019 | 500,692 | 869,019 | 500,692 |
| Other creditors | 30,559 | 46,965 | 30,559 | 46,965 |
| Accruals and deferred income | 177,967 | 358,090 | 175,930 | 358,090 |
| | <u>2,552,422</u> | <u>2,078,946</u> | <u>2,541,041</u> | <u>2,078,946</u> |

15 Provisions for liabilities

| | | 2016 | 2015 |
|--------------------------|-----------|---------------|---------------|
| | | £ | £ |
| Deferred tax liabilities | 16 | 33,294 | 14,529 |
| | | <u>33,294</u> | <u>14,529</u> |

16 Deferred taxation

Deferred tax assets and liabilities are offset where the company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

| | Liabilities | Liabilities |
|-------------------------------|--------------------|--------------------|
| | 2016 | 2015 |
| | £ | £ |
| Balances: | | |
| Advance capital allowances | <u>33,294</u> | <u>14,529</u> |
| Movements in the year: | | 2016 |
| | | £ |
| Liability at 1 April 2015 | | 14,529 |
| Charge to profit or loss | | <u>18,765</u> |
| Liability at 31 March 2016 | | <u>33,294</u> |

17 Share capital

| | 2016 | 2015 |
|-------------------------------------|-------------|-------------|
| | £ | £ |
| Ordinary share capital | | |
| Issued and fully paid | | |
| 10,000 Ordinary A shares of 1p each | <u>100</u> | <u>100</u> |

BREAKTHROUGH MEDIA NETWORK LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2016

18 Cash generated from operations

| | 2016 £ | 2015 £ |
|--|------------------|----------------|
| Profit for the year after tax | 1,685,489 | 1,193,690 |
| Adjustments for: | | |
| Taxation charged | 436,027 | 328,212 |
| Investment income | (733) | - |
| Depreciation and impairment of tangible fixed assets | 53,910 | 24,538 |
| Movements in working capital: | | |
| (Increase) in debtors | (588,793) | (2,037,897) |
| Increase in creditors | 339,966 | 1,170,648 |
| Cash generated from operations | <u>1,925,866</u> | <u>679,191</u> |

19 Reconciliations on adoption of FRS 102

Reconciliations and descriptions of the effect of the transition to FRS 102 on: (i) equity at the date of transition to FRS 102; (ii) equity at the end of the comparative period; and (iii) profit or loss for the comparative period reported under previous UK GAAP are given below.

Reconciliation of equity

| | Notes | 1 April 2014 £ | 31 March 2015 £ |
|---|-------|----------------------|-----------------------|
| Equity as reported under previous UK GAAP | | 187,414 | 1,220,761 |
| Adjustments arising from transition to FRS 102: | | | |
| Deferred tax | 1 | - | (12,706) |
| Equity reported under FRS 102 | | <u>187,414</u> | <u>1,208,055</u> |

Reconciliation of profit for the financial period

| | Notes | 2015 £ |
|---|-------|------------------|
| Profit as reported under previous UK GAAP | | 1,206,396 |
| Adjustments arising from transition to FRS 102: | | |
| Deferred tax | 1 | (12,706) |
| Profit reported under FRS 102 | | <u>1,193,690</u> |

Notes to reconciliations on adoption of FRS 102

Deferred tax has been accounted for and a prior year adjustment made under FRS 102.