

Company Registration No. 06651251 (England and Wales)

BREAKTHROUGH MEDIA NETWORK LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019



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 2019

The directors present the strategic report for the year ended 31 March 2019.

Fair review of the business

Breakthrough helps governments and private-sector clients tackle complex social issues through research and behaviour-change campaigns.

Our work addresses some of the world's toughest social problems; from countering extremism to confronting fake news and disinformation to protecting young people online.

We are headquartered in London, United Kingdom and deliver work across the world.

In this financial year we have focused on improving our profit margin and retaining profit so that we can invest in winning new clients and larger contracts going forward.

Aktis Strategy Limited, a client of ours priming on a number of contracts, where we were the subcontractor, fell into administration, therefore, £385,507 has been recorded as a bad debt and this is recognised as an exceptional cost in the profit and loss account for this year. Nonetheless, we have recorded a healthy operating profit of £1.76m up 63% on last year despite revenues decreasing by £4.7m.

After successfully launching a social publishing brand 'Zinc' in January 2016 and gaining almost a million fans on Facebook, the company has consolidated its brand positioning and will trade under a new name 'Zinc Network' from January 2019.

Principal risks and uncertainties

The key risks facing the company, as deemed by the Director's continue to be:

- Client concentration – We are focused on, and are successfully diversifying our client base having recently won multiple 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 clients across a mix of sectors, 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 sometimes attract negative press from the media and those critical of government policy. Where possible, Breakthrough publishes information about its work while bearing in mind the confidentiality agreements in place with our clients.

Development and performance

As the information environment continues to be increasingly complex, given the range of issues faced by governments and organisations – radicalisation, disinformation and economic instability – the need for effective interventions including strategic communications to help address these issues remains important.

- Breakthrough specialises in services related to these complex issues.

Services of this kind are often procured through government frameworks and competitive tenders.

- Breakthrough is well adept at winning via competitive tenders, following up on referrals, getting on, and winning work via government frameworks.

BREAKTHROUGH MEDIA NETWORK LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

Key performance indicators

Breakthrough has achieved strong results for its 7th year of trading in 2018/19. Key performance indicators for the year are:

- Revenues are £20m, a decrease of 19% on prior year revenues of £24.8m for 2017/18.
- Earnings before interest, tax and depreciation (EBITDA) are £1.76m, an increase on the prior year 2017/18 EBITDA of £1.08m.
- Cash at bank at the end of the year is £1.2m (2018: £0.5m).
- Current ratio is strong at 1.53, and the company continues to have no bank loans or borrowings.
- At the year end the shareholder's funds were £2,333,262 (2018: £1,856,843).

Diversity

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

On behalf of the board



Mr R Elliott

Director

19 December 2019

BREAKTHROUGH MEDIA NETWORK LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2019

The directors present their annual report and financial statements for the year ended 31 March 2019.

Principal activities

The principal activity of the company and group 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 8.

Ordinary dividends were paid amounting to £647,670. The directors do not recommend payment of a further dividend.

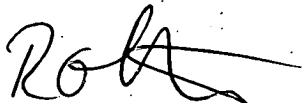
Auditor

Blinkhorns were appointed as auditor to the group 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 auditor of the company 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 auditor of the company is aware of that information.

On behalf of the board



Mr R Elliott

Director

19 December 2019

BREAKTHROUGH MEDIA NETWORK LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 MARCH 2019

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 group and company, and of the profit or loss of the group 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 group and company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and 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 group and 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

Opinion

We have audited the financial statements of Breakthrough Media Network Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 March 2019 which comprise the group profit and loss account, the group statement of comprehensive income, the group balance sheet, the company balance sheet, the group statement of changes in equity, the company statement of changes in equity, the group statement of cash flows, the company statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

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 2019 and of the group's 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

BREAKTHROUGH MEDIA NETWORK LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF BREAKTHROUGH MEDIA NETWORK LIMITED

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our audit:

- 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; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report.

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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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.

BREAKTHROUGH MEDIA NETWORK LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF BREAKTHROUGH MEDIA NETWORK LIMITED

David Cramer FCA (Senior Statutory Auditor)
for and on behalf of Blinkhorns

19 December 2019

Statutory Auditor

27 Mortimer Street
London
W1T 3BL

BREAKTHROUGH MEDIA NETWORK LIMITED

GROUP PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 MARCH 2019

	Notes	2019 £	2018 £
Turnover	3	20,036,393	24,781,553
Cost of sales		(15,735,643)	(21,612,712)
Gross profit		4,300,750	3,168,841
Administrative expenses		(2,539,004)	(2,085,162)
Operating profit	5	1,761,746	1,083,679
Interest receivable and similar income	9	475	874
Exceptional items		(385,507)	-
Profit before taxation		1,376,714	1,084,553
Tax on profit	10	(252,625)	(142,408)
Profit for the financial year		1,124,089	942,145

Profit for the financial year is all attributable to the owners of the parent company.

BREAKTHROUGH MEDIA NETWORK LIMITED

GROUP STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2019

	2019 £	2018 £
Profit for the year	1,124,089	942,145
Other comprehensive income	-	-
Total comprehensive income for the year	<u>1,124,089</u>	<u>942,145</u>

Total comprehensive income for the year is all attributable to the owners of the parent company.

BREAKTHROUGH MEDIA NETWORK LIMITED

GROUP BALANCE SHEET

AS AT 31 MARCH 2019

	Notes	2019 £	£	2018 £	£
Fixed assets					
Tangible assets	12		145,580		191,104
Investments	13		742		742
			<u>146,322</u>		<u>191,846</u>
Current assets					
Debtors	16	5,129,104		5,644,652	
Cash at bank and in hand		1,175,656		545,700	
		<u>6,304,760</u>		<u>6,190,352</u>	
Creditors: amounts falling due within one year	17	(4,104,552)		(4,499,254)	
Net current assets			<u>2,200,208</u>		<u>1,691,098</u>
Total assets less current liabilities			<u>2,346,530</u>		<u>1,882,944</u>
Provisions for liabilities	18		(13,268)		(26,101)
Net assets			<u>2,333,262</u>		<u>1,856,843</u>
Capital and reserves					
Called up share capital	22		100		100
Profit and loss reserves			<u>2,333,162</u>		<u>1,856,743</u>
Total equity			<u>2,333,262</u>		<u>1,856,843</u>

The financial statements were approved by the board of directors and authorised for issue on 19 December 2019 and are signed on its behalf by:



Mr R Elliott
Director

BREAKTHROUGH MEDIA NETWORK LIMITED

COMPANY BALANCE SHEET

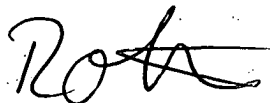
AS AT 31 MARCH 2019

	Notes	2019 £	£	2018 £	£
Fixed assets					
Tangible assets	12		93,788		191,104
Investments	13		823		823
			<u>94,611</u>		<u>191,927</u>
Current assets					
Debtors	16	4,983,753		5,564,059	
Cash at bank and in hand		1,082,567		334,714	
		<u>6,066,320</u>		<u>5,898,773</u>	
Creditors: amounts falling due within one year	17	<u>(4,179,804)</u>		<u>(4,633,491)</u>	
Net current assets			<u>1,886,516</u>		<u>1,265,282</u>
Total assets less current liabilities			<u>1,981,127</u>		<u>1,457,209</u>
Provisions for liabilities	19		<u>(16,650)</u>		<u>(32,611)</u>
Net assets			<u><u>1,964,477</u></u>		<u><u>1,424,598</u></u>
Capital and reserves					
Called up share capital	22		100		100
Profit and loss reserves			<u>1,964,377</u>		<u>1,424,498</u>
Total equity			<u><u>1,964,477</u></u>		<u><u>1,424,598</u></u>

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes. The company's profit for the year was £1,187,549 (2018 - £567,797 profit).

These financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

The financial statements were approved by the board of directors and authorised for issue on 19 December 2019 and are signed on its behalf by:



Mr R Elliott
Director

Company Registration No. 06651251

BREAKTHROUGH MEDIA NETWORK LIMITED

GROUP STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2019

	Notes	Share capital £	Profit and loss reserves £	Total £
Balance at 1 April 2017		100	1,654,598	1,654,698
Year ended 31 March 2018:				
Profit and total comprehensive income for the year		-	942,145	942,145
Dividends	11	-	(740,000)	(740,000)
Balance at 31 March 2018		100	1,856,743	1,856,843
Year ended 31 March 2019:				
Profit and total comprehensive income for the year		-	1,124,089	1,124,089
Dividends	11	-	(647,670)	(647,670)
Balance at 31 March 2019		100	2,333,162	2,333,262

BREAKTHROUGH MEDIA NETWORK LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2019

	Notes	Share capital £	Profit and loss reserves £	Total £
Balance at 1 April 2017		100	1,596,702	1,596,802
Year ended 31 March 2018:				
Profit and total comprehensive income for the year		-	567,796	567,796
Dividends	11	-	(740,000)	(740,000)
Balance at 31 March 2018		100	1,424,498	1,424,598
Year ended 31 March 2019:				
Profit and total comprehensive income for the year		-	1,187,549	1,187,549
Dividends	11	-	(647,670)	(647,670)
Balance at 31 March 2019		100	1,964,377	1,964,477

BREAKTHROUGH MEDIA NETWORK LIMITED

GROUP STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2019

	Notes	2019 £	£	2018 £	£
Cash flows from operating activities					
Cash generated from operations	23	1,854,390		1,884,483	
Income taxes paid		(90,095)		(957,461)	
Exceptional items		(385,507)		-	
Net cash inflow from operating activities		<u>1,378,788</u>		<u>927,022</u>	
Investing activities					
Purchase of tangible fixed assets		(102,137)		(51,820)	
Investment in subsidiaries		-		(742)	
Interest received		475		874	
Net cash used in investing activities		<u>(101,662)</u>		<u>(51,688)</u>	
Financing activities					
Dividends paid to equity shareholders		(647,670)		(740,000)	
Net cash used in financing activities		<u>(647,670)</u>		<u>(740,000)</u>	
Net increase in cash and cash equivalents		629,456		135,334	
Cash and cash equivalents at beginning of year		545,700		410,366	
Cash and cash equivalents at end of year		<u>1,175,156</u>		<u>545,700</u>	
Relating to:					
Cash at bank and in hand		1,175,656		545,700	
Bank overdrafts included in creditors payable within one year		(500)		-	

BREAKTHROUGH MEDIA NETWORK LIMITED

COMPANY STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2019

	Notes	2019 £	£	2018 £	£
Cash flows from operating activities					
Cash generated from operations	24	1,829,833		2,011,251	
Income taxes paid				(960,887)	
Exceptional items		(385,507)			
Net cash inflow from operating activities		1,444,326		1,050,364	
Investing activities					
Purchase of tangible fixed assets		(49,778)		(51,820)	
Proceeds on disposal of subsidiaries		-		30,936	
Interest received		475		874	
Net cash used in investing activities		(49,303)		(20,010)	
Financing activities					
Dividends paid to equity shareholders		(647,670)		(740,000)	
Net cash used in financing activities		(647,670)		(740,000)	
Net increase in cash and cash equivalents		747,353		290,354	
Cash and cash equivalents at beginning of year		334,714		44,360	
Cash and cash equivalents at end of year		1,082,067		334,714	
Relating to:					
Cash at bank and in hand		1,082,567		334,714	
Bank overdrafts included in creditors payable within one year		(500)			

BREAKTHROUGH MEDIA NETWORK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

1 Accounting policies

Company information

Breakthrough Media Network Limited ("the company") is a private limited company domiciled and incorporated in England and Wales. The registered office is 1st Floor Block 2, Elizabeth House 39 York Road, London, SE1 7NQ.

The group consists of Breakthrough Media Network Limited and all of its subsidiaries.

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.

1.2 Basis of consolidation

In the parent company financial statements, the cost of a business combination is the fair value at the acquisition date of the assets given, equity instruments issued and liabilities incurred or assumed, plus costs directly attributable to the business combination. The excess of the cost of a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill. The cost of the combination includes the estimated amount of contingent consideration that is probable and can be measured reliably, and is adjusted for changes in contingent consideration after the acquisition date. Provisional fair values recognised for business combinations in previous periods are adjusted retrospectively for final fair values determined in the 12 months following the acquisition date. Investments in subsidiaries, joint ventures and associates are accounted for at cost less impairment.

Deferred tax is recognised on differences between the value of assets (other than goodwill) and liabilities recognised in a business combination accounted for using the purchase method and the amounts that can be deducted or assessed for tax, considering the manner in which the carrying amount of the asset or liability is expected to be recovered or settled. The deferred tax recognised is adjusted against goodwill or negative goodwill.

The consolidated financial statements incorporate those of Breakthrough Media Network Limited and its American & Australian subsidiaries (these entities the group controls through its power to govern the financial and operating policies so as to obtain economic benefits). Subsidiaries acquired during the year are consolidated using the purchase method. Their results are incorporated from the date that control passes. The Kenyan subsidiary has been omitted from consolidation because they are not material for the purposes of giving a true & fair view in the context of the group.

All financial statements are made up to 31 March 2019. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the group.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

BREAKTHROUGH MEDIA NETWORK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

1 Accounting policies

(Continued)

Entities other than subsidiary undertakings or joint ventures, in which the group has a participating interest and over whose operating and financial policies the group exercises a significant influence, are treated as associates. In the group financial statements, associates are accounted for using the equity method.

Entities in which the group holds an interest and which are jointly controlled by the group and one or more other venturers under a contractual arrangement are treated as joint ventures. In the group financial statements, joint ventures are accounted for using the equity method.

1.3 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.

1.4 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.

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:

Leasehold land and buildings	2.5% Prime cost
Fixtures and fittings	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 recognised in the profit and loss account.

1.6 Fixed asset investments

Equity investments are measured at fair value through profit or loss, except for those equity investments that are not publicly traded and whose fair value cannot otherwise be measured reliably, which are recognised at cost less impairment until a reliable measure of fair value becomes available.

In the parent company financial statements, investments in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses.

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

BREAKTHROUGH MEDIA NETWORK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

1 Accounting policies

(Continued)

1.7 Impairment of fixed assets

At each reporting period end date, the group reviews the carrying amounts of its tangible 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.

The carrying amount of the investments accounted for using the equity method is tested for impairment as a single asset. Any goodwill included in the carrying amount of the investment is not tested separately for impairment.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

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 group 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 group's balance sheet when the group becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and 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.

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.

BREAKTHROUGH MEDIA NETWORK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

1 Accounting policies

(Continued)

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. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal 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 group 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

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

Derecognition of financial liabilities

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

1.10 Equity instruments

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

1.11 Taxation

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

BREAKTHROUGH MEDIA NETWORK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

1 Accounting policies

(Continued)

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 group'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 if, and only if, there is 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.

1.12 Provisions

Provisions are recognised when the group has a legal or constructive present obligation as a result of a past event, it is probable that the group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation. Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value. When a provision is measured at present value, the unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

1.13 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.

1.14 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.15 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 2019

2 Judgements and key sources of estimation uncertainty

In the application of the group'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

	2019 £	2018 £
Turnover analysed by class of business		
Sale of services	20,036,393	24,781,553
	<u>20,036,393</u>	<u>24,781,553</u>
	2019 £	2018 £
Other significant revenue		
Interest income	475	874
	<u>475</u>	<u>874</u>
	2019 £	2018 £
Turnover analysed by geographical market		
United Kingdom	18,519,013	22,879,036
USA	57,992	27,016
Rest of the world	1,459,388	1,875,501
	<u>20,036,393</u>	<u>24,781,553</u>

4 Exceptional items

	2019 £	2018 £
Exceptional items	385,507	-
	<u>385,507</u>	<u>-</u>

During the period Aktis Strategy Limited went into administration owing the company £385,507. This balance is considered irrecoverable and due to its significance is listed as an exceptional item.

5 Operating profit

	2019 £	2018 £
Operating profit for the year is stated after charging/(crediting):		
Exchange (gains)/losses	(46,845)	96,951
Depreciation of owned tangible fixed assets	147,661	154,347
	<u>147,661</u>	<u>154,347</u>

BREAKTHROUGH MEDIA NETWORK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

5 Operating profit (Continued)

Exchange differences recognised in profit or loss during the year, except for those arising on financial instruments measured at fair value through profit or loss, amounted to £46,845 (2018 - £96,951).

6 Auditor's remuneration

	2019 £	2018 £
Fees payable to the company's auditor and associates:		
For audit services		
Audit of the financial statements of the group and company	7,513	19,913

7 Employees

The average monthly number of persons (including directors) employed by the group and company during the year was:

	Group 2019 Number	2018 Number	Company 2019 Number	2018 Number
Employees	161	192	145	183

Their aggregate remuneration comprised:

	Group 2019 £	2018 £	Company 2019 £	2018 £
Wages and salaries	4,714,049	2,571,206	4,171,049	2,571,206
Social security costs	527,840	279,429	527,840	279,429
Pension costs	88,269	21,642	88,269	21,642
	5,330,158	2,850,635	5,330,158	2,850,635

8 Directors' remuneration

	2019 £	2018 £
Remuneration for qualifying services	16,802	20,000

9 Interest receivable and similar income

	2019 £	2018 £
Interest income		
Interest on bank deposits	475	874

BREAKTHROUGH MEDIA NETWORK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

9 Interest receivable and similar income (Continued)

Investment income includes the following:

Interest on financial assets not measured at fair value through profit or loss	475	874
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10 Taxation

	2019 £	2018 £
Current tax		
UK corporation tax on profits for the current period	268,586	163,776
Deferred tax		
Origination and reversal of timing differences	(15,961)	(21,368)
Total tax charge	252,625	142,408

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

	2019 £	2018 £
Profit before taxation	1,376,714	1,084,553
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%)	261,576	206,065
Tax effect of expenses that are not deductible in determining taxable profit	27,948	39,494
Permanent capital allowances in excess of depreciation	(10,123)	(32,025)
Differences due to overseas tax	(26,776)	(71,126)
Taxation charge	252,625	142,408

11 Dividends

	2019 £	2018 £
Interim paid	647,670	740,000

BREAKTHROUGH MEDIA NETWORK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

12 Tangible fixed assets

Group	Leasehold land and buildings £	Fixtures and fittings £	Total £
Cost			
At 1 April 2018	-	429,385	429,385
Additions	52,359	49,778	102,137
At 31 March 2019	52,359	479,163	531,522
Depreciation and impairment			
At 1 April 2018	-	238,281	238,281
Depreciation charged in the year	567	147,094	147,661
At 31 March 2019	567	385,375	385,942
Carrying amount			
At 31 March 2019	51,792	93,788	145,580
At 31 March 2018	-	191,104	191,104

Company	Fixtures and fittings £
Cost	
At 1 April 2018	429,385
Additions	49,778
At 31 March 2019	479,163
Depreciation and impairment	
At 1 April 2018	238,281
Depreciation charged in the year	147,094
At 31 March 2019	385,375
Carrying amount	
At 31 March 2019	93,788
At 31 March 2018	191,104

13 Fixed asset investments

	Notes	Group 2019 £	2018 £	Company 2019 £	2018 £
Investments in subsidiaries	14	742	742	823	823

BREAKTHROUGH MEDIA NETWORK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

13 Fixed asset investments

(Continued)

Movements in fixed asset investments Group

Shares in
group
undertakings
£

Cost or valuation

At 1 April 2018 and 31 March 2019

742

Carrying amount

At 31 March 2019

742

At 31 March 2018

742

Movements in fixed asset investments Company

Shares in
group
undertakings
£

Cost or valuation

At 1 April 2018 and 31 March 2019

823

Carrying amount

At 31 March 2019

823

At 31 March 2018

823

BREAKTHROUGH MEDIA NETWORK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

14 Subsidiaries

Details of the company's subsidiaries at 31 March 2019 are as follows:

Name of undertaking	Registered office	Class of shares held	% Held	
			Direct	Indirect
Breakthrough Media Network Limited	Kenya	Ordinary shares	99.00	
Breakthrough Media Network Limited	USA	Ordinary shares	100.00	
Breakthrough Media Network PTY Limited	Australia	Ordinary shares	100.00	

BREAKTHROUGH MEDIA NETWORK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

15 Financial instruments

	Group 2019 £	2018 £	Company 2019 £	2018 £
Carrying amount of financial assets				
Debt instruments measured at amortised cost	3,012,444	3,778,483	2,867,093	3,697,890
Carrying amount of financial liabilities				
Measured at amortised cost	2,635,740	2,907,543	2,241,650	3,183,089

16 Debtors

	Group 2019 £	2018 £	Company 2019 £	2018 £
Amounts falling due within one year:				
Trade debtors	2,868,515	3,610,603	2,747,843	3,583,640
Other debtors	143,929	167,880	119,250	114,250
Prepayments and accrued income	2,116,660	1,866,169	2,116,660	1,866,169
	5,129,104	5,644,652	4,983,753	5,564,059

17 Creditors: amounts falling due within one year

	Notes	Group 2019 £	2018 £	Company 2019 £	2018 £
Bank loans and overdrafts		500	-	500	-
Trade creditors		1,578,624	1,161,491	1,562,714	986,928
Amounts owed to group undertakings		171,769	131,902	(232,976)	525,358
Corporation tax payable		(133,529)	(312,020)	(95,880)	(364,466)
Other taxation and social security		747,912	1,026,968	742,173	967,928
Deferred income	20	854,429	876,763	1,291,861	846,940
Other creditors		84,993	(270,337)	137,855	33,334
Accruals and deferred income		799,854	1,884,487	773,557	1,637,469
		4,104,552	4,499,254	4,179,804	4,633,491

BREAKTHROUGH MEDIA NETWORK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

18 Provisions for liabilities

	Notes	Group 2019 £	2018 £	Company 2019 £	2018 £
		(904)	536	-	-
		(2,478)	(7,046)	-	-
		(3,382)	(6,510)	-	-
Deferred tax liabilities	19	16,650	32,611	16,650	32,611
		13,268	26,101	16,650	32,611

Movements on provisions apart from deferred tax liabilities:

Group	£	£	Total £
Exchange difference	(904)	(2,478)	(3,382)

19 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the group and company, and movements thereon:

Group	Liabilities 2019 £	Liabilities 2018 £
Accelerated capital allowances	16,650	32,611
	<u>16,650</u>	<u>32,611</u>
Company	Liabilities 2019 £	Liabilities 2018 £
Accelerated capital allowances	16,650	32,611
	<u>16,650</u>	<u>32,611</u>
Movements in the year:	Group 2019 £	Company 2019 £
Liability at 1 April 2018	32,611	32,611
Credit to profit or loss	(15,961)	(15,961)
Liability at 31 March 2019	<u>16,650</u>	<u>16,650</u>

BREAKTHROUGH MEDIA NETWORK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

19 Deferred taxation (Continued)

20 Deferred income

	Group 2019 £	2018 £	Company 2019 £	2018 £
Other deferred income	854,429	876,763	1,291,861	846,940

21 Retirement benefit schemes

	2019 £	2018 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	36,970	21,642

A defined contribution pension scheme is operated for all qualifying employees. The assets of the scheme are held separately from those of the group in an independently administered fund.

22 Share capital

	Group and company 2019 £	2018 £
Ordinary share capital Issued and fully paid 10,000 Ordinary A shares of 1p each	100	100

23 Cash generated from group operations

	2019 £	2018 £
Profit for the year after tax	1,124,089	942,145
Adjustments for:		
Taxation charged	252,625	142,408
Investment income	(475)	(874)
Fair value loss on investment properties	385,507	-
Depreciation and impairment of tangible fixed assets	147,661	154,347
Increase/(decrease) in provisions	3,128	(6,510)
Movements in working capital:		
Decrease/(increase) in debtors	515,548	(1,432,794)
-(Decrease)/increase in creditors	(551,359)	1,208,998
(Decrease)/increase in deferred income	(22,334)	876,763
Cash generated from operations	1,854,390	1,884,483

BREAKTHROUGH MEDIA NETWORK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

24 Cash generated from operations - company

	2019 £	2018 £
Profit for the year after tax	1,187,549	567,796
Adjustments for:		
Taxation charged	252,625	142,408
Investment income	(475)	(874)
Fair value loss on investment properties	385,507	-
Depreciation and impairment of tangible fixed assets	147,094	154,347
Movements in working capital:		
Decrease/(increase) in debtors	580,306	(1,374,362)
(Decrease)/increase in creditors	(1,167,694)	1,674,996
Increase in deferred income	444,921	846,940
Cash generated from operations	1,829,833	2,011,251