

PARENT AALS FOR  
BRAINSTORM HOLDINGS LTD  
HX20713

Company Registration No. 09310389 (England and Wales)

**BRAINSTORM INVESTMENTS LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MAY 2018**



## **BRAINSTORM INVESTMENTS LIMITED**

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## **BRAINSTORM INVESTMENTS LIMITED**

### **COMPANY INFORMATION**

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<b>Directors</b>	GJ Corbett SK Leahy
<b>Company number</b>	09310389
<b>Registered office</b>	12 <sup>th</sup> Floor Lyndon House 58-62 Hagley Road Birmingham B16 8PE
<b>Auditors</b>	BDO LLP 55 Baker Street London W1U 7EU
<b>Business address</b>	Brainstorm Mobile Solutions Unit 311 Highgate Studios London NW5 1TL

## **BRAINSTORM INVESTMENTS LIMITED**

### **STRATEGIC REPORT FOR THE YEAR ENDED 31 MAY 2018**

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The directors present their strategic report together with the audited financial statements for the year ended 31 May 2018.

#### **Business model**

The group is a global technology provider of mobile, data-driven customer engagement solutions providing solutions for and working with mobile operators, retailers, financial institutions, marketing agencies and enterprise to drive positive engagement with consumers and corporates using highly targeted, relevant and contextual marketing and business content.

The group continues to build its business in the UK and Ireland and growing internationally, with new business wins in North and South America and Asia. The group continues to provide services to customers around the world.

The group's head office is based in the UK with operating subsidiaries in Ireland, Singapore and Brazil.

#### **Strategy**

During the year the group further built on its electronic and mobile messaging heritage. Engage Hub provides cross channel campaign management (CCCM) solutions for SMS, email, web, voice, push notifications, and Facebook Messenger. Its Synapse engine further addresses real-time interactive management (RTIM) requirements, with a range of Enterprise customers implementing the Engage Hub solution to better effect internal data orchestration and improve individual consumer engagement via a range of digital channels. B2C marketers can leverage Engage Hub's customer interaction capabilities — either as a standalone CCCM solution or to complement other enterprise marketing, services, or operational technologies.

The programme of migration of acquired customers onto the Synapse platform continues, allowing them full suite of engagement capabilities and further upsell opportunities for the group.

#### **Financial review**

The group had a productive year consolidating its revenue growth and customer wins seen in the prior year with turnover increasing by 41.5% to £14.4m (2017: £10.2m). This year saw a full year's contribution from the acquisition of Oxygen8 Communications Ireland Limited, including revenues of £5.2m (2017: £1.9m – post acquisition). The UK business saw a further 12% growth in turnover to £8.5m (2017: £7.6m). The new territories of LATM & APAC have shown promising growth with revenues at £0.9m (2017: £0.7m)

Overall the group gross profit increased to £8.9m (2017: £6.9m) and the group has achieved a gross margin of 61.8% (2017: 67.8%), the decrease being attributable to the full year diluting effect of the lower GP% of Oxygen8 Communications Ireland Limited business.

Operating profits increased from £0.9m to £1.1m.

Cash balances increased to £2.2m (2017: £1.1m), with debtors increasing to £4.5m (2017:£4.3m) and Creditors also increasing to £3.3m (2017: £2.8m).

## BRANSTORM INVESTMENTS LIMITED

### STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 MAY 2018

#### Key performance indicators

	2018	2017
Revenue (£'000)	14,425	10,192
Gross Profit (£'000)	8,919	6,912
GP %	61.8%	67.8%

#### Staff costs as a % revenue

38.4%      49.1%

*Staff costs as a proportion of revenue is a good measurement of the efficiency of the group with a lower % indicating higher levels of efficiency. The reduction in percentage shows the clear benefit of higher levels of efficiency.*

The decrease in gross margin is attributable to the full year diluting effect of the lower GP% of Oxygen8 Communications Ireland Limited business.

#### Principal risks and uncertainties

The group provides services and solutions to an internationally spread of customers which gives rise to commercial, credit and foreign exchange risks.

The group looks to mitigate these risks by working closely in partnership with its key customers to ensure that the group delivers and exceeds the customer's expectations. The group attempts to limit its exposure to credit risk by carrying out credit checks on its customers and working with well established brands and well established telecommunications companies. The group limits its exposure to foreign currency fluctuations where possible by aligning costs with its income and accepting that its foreign denominated income and bank balances are exposed to foreign exchange fluctuations.

#### Approval

This Strategic Report was approved by order of the Board on 11 February 2019.

  
GJ Corbett  
Director

## **BRAINSTORM INVESTMENTS LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 MAY 2018**

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The directors present their report together with the audited financial statements for the year ended 31 May 2018.

#### **Directors**

The directors of the company during the year were:

G Corbett  
S Leahy

#### **Dividends**

The directors do not recommend a final ordinary dividend (2017 - None).

#### **Financial instruments**

##### *Financial risk management objectives and policies*

The company's risk management framework includes a process for identifying, assessing and responding to risk and supporting the company's strategy, business objectives and financial exposure.

Risk management operates at all levels throughout the business. The Board takes overall responsibility, determining the nature and extent of principal risks it is willing to take to achieve the company's strategic objectives, and maintaining the company's risk governance and appropriate internal control framework.

The directors have an overall responsibility for the group's risk management with risks managed and reviewed by the Board.

##### *Credit risk*

Credit risk is the risk of financial loss to the company if a customer fails to meet its contractual obligations. The company is mainly exposed to credit risk from credit sales. The majority of credit sales are with large well established companies. Each new customer is analysed individually for creditworthiness before entering into business with the customer.

Credit risk also arises from cash and cash equivalents and deposits with banks and financial institutions. This is mitigated by banking with well established and respected banking institutions.

##### *Liquidity risk*

The group has no borrowing and maintains appropriate cash balances. The Board regularly reviews its forward looking cash flow projections to ensure both working capital and investment capital are sufficient for the twelve months ahead.

##### *Foreign exchange risk*

Foreign exchange risk arises when the company enters into transactions denominated in a currency other than their functional currency. The company is predominantly exposed to currency risk on sales in Euros, US and Singapore Dollars.

#### **Post balance sheet events**

On 7 June 2018, the Group acquired the remaining 0.004% of the issued ordinary shares in Brainstorm Solucoes EM Telefonía Movel Brazil LTDA.

On 9 August 2018, the Group acquired 100% of the voting equity instruments of Engage Hub Limited for £12,500. At the date of authorisation of these financial statements a detailed assessment of the fair value of the identifiable net assets has not been completed.

## **BRAINSTORM INVESTMENTS LIMITED**

### **DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 MAY 2018**

#### **Directors' responsibilities**

The directors are responsible for preparing the strategic report, the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the group and company 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's transactions and disclose with reasonable accuracy at any time the financial position of the group 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors have the benefit of the indemnity provisions contained in the Company's Articles of Association ('Articles'), and the Company has maintained throughout the year Directors' and officers' liability insurance for the benefit of the Company, the Directors and its officers. The Company has entered into qualifying third party indemnity arrangements for the benefit of all its Directors in a form and scope which comply with the requirements of the Companies Act 2006 and which were in force throughout the year and remain in force.

#### **Auditors**

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the group's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

BDO LLP have expressed their willingness to continue in office and a resolution to re-appoint them as auditors will be proposed at the next annual general meeting.

#### **Approval**

This Directors' Report was approved by order of the Board on 11 February 2019.

  
GJ Corbett  
Director

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BRAINSTORM INVESTMENTS LIMITED**

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### **Opinion**

We have audited the financial statements of Brainstorm Investments Limited ("the Parent Company") and its subsidiaries ("the Group") for the year ended 31 May 2018 which comprise the consolidated statement of comprehensive income, consolidated and company balance sheets, consolidated and company statements of changes in equity, consolidated cash flow statement 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 Financial Reporting Standard 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 of the Parent Company's affairs as at 31 May 2018 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 Group and the Parent 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 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.



**INDEPENDENT AUDITOR'S REPORT (CONTINUED)**  
**TO THE MEMBERS OF BRAINSTORM INVESTMENTS LIMITED**

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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.

**Opinions on other matters prescribed by the Companies Act 2006**

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

- the information given in the Strategic report and Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and 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 Directors' report.

We have nothing to report in respect of the following matters in relation to which 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.

**INDEPENDENT AUDITOR'S REPORT (CONTINUED)  
TO THE MEMBERS OF BRAINSTORM INVESTMENTS LIMITED**

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**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 at the Financial Reporting Council's website at: <https://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 Parent 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 Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.



**Dominic Stammers** (Senior Statutory Auditor)  
For and on behalf of BDO LLP, Statutory Auditor  
London

Date: 15 February 2019

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

**BRAINSTORM INVESTMENTS LIMITED**

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 MAY 2018**

	Notes	2018 £	2017 £
<b>Turnover</b>	2	14,424,863	10,191,991
Cost of sales		(5,506,020)	(3,279,989)
<b>Gross profit</b>		8,918,843	6,912,002
Administration expenses		(7,816,778)	(6,039,870)
<b>Operating profit</b>	3	1,102,065	872,132
Interest payable		(5)	-
Interest receivable	4	1,616	4,030
<b>Profit on ordinary activities before taxation</b>		1,103,676	876,162
Tax on profit on ordinary activities	5	(156,658)	(9,868)
<b>Profit for the financial year</b>		947,018	866,294
<b>Other comprehensive income:</b>			
Currency translation differences		(63,191)	14,775
<b>Total comprehensive income for the year</b>		883,827	881,069
<b>Profit for the financial year attributable to:</b>			
- Owners of the parent		921,502	833,248
- Non-controlling interests		25,516	33,046
		947,018	866,294
<b>Total comprehensive income attributable to:</b>			
- Owners of the parent		860,079	847,479
- Non-controlling interests		23,748	33,590
		883,827	881,069

The notes on pages 15 to 31 form part of these financial statements.

# **BRAINSTORM INVESTMENTS LIMITED**

## **CONSOLIDATED BALANCE SHEET AS AT 31 MAY 2018**

	Notes	£	2018 £	£	2017 £
<b>Fixed assets</b>					
Intangible fixed assets	6		98,667		130,667
Negative goodwill	6		(89,400)		(114,349)
Tangible fixed assets	7		519,993		445,920
			<u>529,260</u>		<u>462,238</u>
<b>Current assets</b>					
Debtors	10	4,479,631		4,330,917	
Cash at bank and in hand		2,228,755		1,106,087	
			<u>6,708,386</u>	<u>5,437,004</u>	
Creditors: amounts falling due within one year	11	(3,122,459)		(2,674,350)	
<b>Net current assets</b>			<u>3,585,927</u>	<u>2,762,654</u>	
<b>Total assets less current liabilities</b>			<u>4,115,187</u>	<u>3,224,892</u>	
Provisions for liabilities	12		(20,857)		(14,389)
<b>Net assets</b>			<u>4,094,330</u>	<u>3,210,503</u>	
<b>Capital and reserves</b>					
Called up share capital	13		1,563		1,563
Merger reserve			238,494		238,494
Profit and loss reserves			3,808,837		2,855,632
Foreign exchange reserves			(47,192)		14,231
Other reserves			93		93
<b>Equity attributable to owners of the parent company</b>			<u>4,081,795</u>	<u>3,110,913</u>	
Non-controlling interest			92,535		100,490
			<u>4,094,330</u>	<u>3,210,503</u>	

The financial statements were approved by the Board of Directors and authorised for issue on 11 February 2019.

**GJ Corbett**  
Director  
Company Reg. No. 09310389

The notes on pages 15 to 31 form part of these financial statements.

# **BRAINSTORM INVESTMENTS LIMITED**

## **COMPANY BALANCE SHEET AS AT 31 MAY 2018**

	Notes	£	2018 £	£	2017 £
<b>Fixed assets:</b>					
Investments	8		1,656		1,656
			<hr/>		<hr/>
<b>Total assets less current liabilities</b>			1,656		1,656
			<hr/>		<hr/>
<b>Net assets</b>			1,656		1,656
			<hr/>		<hr/>
<b>Capital and reserves</b>					
Called up share capital	13		1,563		1,563
Other reserves			93		93
			<hr/>		<hr/>
<b>Shareholders' funds</b>			1,656		1,656
			<hr/>		<hr/>

In accordance with the provisions of the Section 408 of the Companies Act 2006, the Company has not presented a profit and loss account. There was no profit or loss relating to the Company for the current or prior year.

The financial statements were approved by the Board of Directors and authorised for issue on 11 February 2019.

  
GJ Corbett  
Director

Company Reg. No. 09316389

The notes on pages 15 to 31 form part of these financial statements.

**BRAINSTORM INVESTMENTS LIMITED**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**AS AT 31 MAY 2018**

	Called up share capital £	Merger reserve £	Profit & loss reserves £	Foreign exchange reserves £	Other reserves £	Shareholders' equity £	Non- controlling interest £	Total £
<b>Year ended 31 May 2017</b>								
Balance at 1 June 2016	1,563	238,494	2,022,384	-	93	2,262,534	66,900	2,329,434
Profit for the financial year	-	-	833,248	-	-	833,248	33,046	866,294
Other comprehensive income for the year	-	-	-	14,231	-	14,231	544	14,775
Total comprehensive income	-	-	833,248	14,231	-	847,479	33,590	881,069
<b>Balance at 31 May 2017</b>	<u>1,563</u>	<u>238,494</u>	<u>2,855,632</u>	<u>14,231</u>	<u>93</u>	<u>3,110,013</u>	<u>100,490</u>	<u>3,210,503</u>
<b>Year ended 31 May 2018</b>								
Brought forward	1,563	238,494	2,855,632	14,231	93	3,110,013	100,490	3,210,503
Profit for the financial year	-	-	921,502	-	-	921,502	25,516	947,018
Other comprehensive loss for the year	-	-	-	(61,423)	-	(61,423)	(1,768)	(63,191)
Total comprehensive income	-	-	921,502	(61,423)	-	860,079	23,748	883,827
Transfer of released non-controlling interest (Note)	-	-	31,703	-	-	31,703	(31,703)	-
<b>Balance at 31 May 2018</b>	<u>1,563</u>	<u>238,494</u>	<u>3,808,837</u>	<u>(47,192)</u>	<u>93</u>	<u>4,001,795</u>	<u>92,535</u>	<u>4,094,330</u>

Note: On 15 January 2018, a further 162 shares were acquired by Brainstorm Holdings Limited in Brainstorm Mobile Solutions Limited. This reduced the non-controlling interest shareholding from 3.1% to 2.3%. The non-controlling interest attributable to this fall in percentage holding has therefore been transferred from non-controlling interest to retained earnings.

The notes on pages 15 to 31 form part of these financial statements.

**BRAINSTORM INVESTMENTS LIMITED****COMPANY STATEMENT OF CHANGES IN EQUITY  
AS AT 31 MAY 2018**

	<b>Called up share capital £</b>	<b>Other reserves £</b>	<b>Total £</b>
<b>Year ended 31 May 2017</b>			
Balance at 1 June 2017	1,563	93	1,656
Profit for the year	-	-	-
Other comprehensive income for the year	-	-	-
	<hr/>	<hr/>	<hr/>
<b>Balance at 31 May 2017</b>	<u>1,563</u>	<u>93</u>	<u>1,656</u>
<b>Year ended 31 May 2018</b>			
Brought forward	1,563	93	1,656
Profit for the year	-	-	-
Other comprehensive income for the year	-	-	-
	<hr/>	<hr/>	<hr/>
<b>Balance at 31 May 2018</b>	<u>1,563</u>	<u>93</u>	<u>1,656</u>

The notes on pages 15 to 31 form part of these financial statements.

**BRAINSTORM INVESTMENTS LIMITED**

**CONSOLIDATED CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31 MAY 2018**

	Notes	£	2018 £	£	2017 £
<b>Cash inflow from operating activities</b>	14		1,518,664		595,753
Taxation paid			(102,504)		(2,439)
<b>Net cash inflow from operating activities</b>			1,416,160		593,314
<b>Investing activities</b>					
Purchase of tangible fixed assets		(295,103)		(244,179)	
Purchase of intangible assets		-		(160,000)	
Purchase of subsidiary undertaking		-		(433,141)	
Cash acquired with subsidiary undertaking		-		560,628	
Interest received		1,616		4,030	
<b>Net cash used in investing activities</b>			(293,487)		(272,662)
<b>Cash flow from financing activities</b>					
Interest paid			(5)		-
<b>Net cash outflow from financing activities</b>			(5)		-
<b>Increase in cash</b>			1,122,668		320,652
<b>Cash and cash equivalents at beginning of year</b>			1,106,087		785,435
<b>Cash and cash equivalents at end of year</b>			2,228,755		1,106,087

The notes on pages 15 to 31 form part of these financial statements.



## **BRAINSTORM INVESTMENTS LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2018**

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#### **1 Accounting policies**

##### **Company information**

Brainstorm Investments Limited ("the Company") is a private company limited by shares, incorporated in England and Wales. The registered office is 12<sup>th</sup> Floor Lyndon House, 58-62 Hagley Road, Birmingham, B16 8PE.

The Group has adopted the accounting policies set out below in preparation of the financial statements. All of these policies have been applied consistently throughout the year unless otherwise stated.

##### **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 have been prepared in sterling. Monetary amounts in these financial statements are rounded to the nearest £. The financial statements have been prepared under the historical cost convention.

Brainstorm Investments Limited acquired the entire share capital of Brainstorm Holdings Limited on 22 December 2014 as part of a demerger through a share-for-share exchange. The previous ultimate holders of the share capital of Brainstorm Holdings Limited were issued one share in Brainstorm Investments Limited for each share held in the parent company of Brainstorm Holdings Limited. Merger relief was applied to the shares issued, and so Brainstorm Investments Limited recorded its investment in Brainstorm Holdings Limited at the nominal value of the shares issued.

##### **1.2 Going concern**

At the time of approving the financial statements, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The directors have based their assessment on cashflow projections over a period of five years. Thus, the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

##### **1.3 Basis of consolidation**

The consolidated accounts incorporate the accounts of the Company and its subsidiary undertakings and have been prepared by using the principle of acquisition accounting, which includes the results of the subsidiaries from their dates of acquisition. Intra-group sales, profits and balances are eliminated fully on consolidation.

##### **1.4 Turnover**

Turnover represents amounts receivable for services and solutions net of VAT and trade discounts. Revenue is recognised when the services have been delivered. Where services are contracted over multi-year contracts revenue is recognised as services are delivered.

## **BRAINSTORM INVESTMENTS LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2018**

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#### **1 Accounting policies (continued)**

##### **1.5 Intangible assets and amortisation**

Intangible assets are stated at cost less amortisation and accumulated impairment losses. Amortisation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Customer Database	- 20% straight line method
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Amortisation is charged to administration expenses in the Statement of Comprehensive Income.

Negative goodwill is similarly included in the balance sheet and is credited to the Statement of Comprehensive Income in periods over which the acquired non-monetary assets are recovered through depreciation or sale. Negative goodwill in excess of the fair values of the non-monetary assets acquired is credited to the Statement of Comprehensive Income in the periods expected to benefit.

The negative goodwill arose on the acquisition of Oxygen8 Communications Ireland Limited on 31 December 2016 and the Directors estimate this benefit period to be 5 years from the date of acquisition of the business.

##### **1.6 Tangible fixed assets and depreciation**

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

Leasehold land and buildings	- Straight line over the leasehold life
Computer equipment	- 25% - 33% straight line method
Fixtures and fittings	- 25% straight line method

##### **1.7 Research and development costs**

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the assets will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised to 'administration expenses' on a straight line basis over the expected useful life.

##### **1.8 Valuation of investments**

In the company's individual accounts, investments in subsidiaries are measured at cost less accumulated impairment. Where merger relief is applicable, the cost of the investment in a subsidiary undertaking is measured at the nominal value of the shares issued together with the fair value of any additional consideration paid.

##### **1.9 Impairment**

The carrying values of intangible and tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

## **BRAINSTORM INVESTMENTS LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2018**

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#### **1 Accounting policies (continued)**

##### **1.10 Taxation**

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

###### *Current taxation*

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the statement of income and retained earnings 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 taxation*

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 statement of income and retained earnings, 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.

##### **1.11 Leased assets: Lessee**

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

##### **1.12 Foreign currency translation**

The Group's presentational currency is sterling whilst the individual entities have presented in their respective functional currencies. On consolidation, transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date.

The results of overseas operations are translated at the average rates of exchange during the period and their balance sheets at the rates ruling at the balance sheet date. Exchange differences arising on translation of the opening net assets and results of overseas operations are reported in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

## BRAINSTORM INVESTMENTS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2018 (CONTINUED)

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#### 1 Accounting policies (continued)

##### 1.13 Financial assets

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 Group's balance sheet when the Group 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.

##### *Loans and receivables*

Trade debtors, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument to the net carrying amount on initial recognition.

##### *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.

##### 1.14 Financial liabilities

Basic financial liabilities, including trade and other payables, 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. Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

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

## BRAINSTORM INVESTMENTS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2018 (CONTINUED)

#### 1 Accounting policies (continued)

##### 1.15 Judgements and key sources of estimation uncertainty

The preparation of the financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates, and for management to exercise its judgement in the process of applying the Group's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant are:

*Impairment of investments:*

The Group assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the entity estimates the recoverable amount of the asset. Both external and internal sources of information are considered when concluding if there is any indication an asset may be impaired.

*Customer Database:*

The directors have considered that the benefit will accrue to the Group over five years.

*Negative Goodwill:*

At acquisition of Oxygen8 Communications Ireland Limited on 31 December 2016, it was considered that the benefit accruing to the parent company would have a useful economic life of five years based on the average economic lives of the underlying assets in the acquired subsidiary. This was mainly due to the company having a five year profit and revenue forecast. It was the management's assessment that based on the forecasts, and since two years into the forecast, it was reasonable to amortise the negative goodwill over the forecasted period. On acquisition, the fair values of the assets and liabilities were also reviewed based on this model. This is reviewed annually by the Parent company, Brainstorm Mobile Solutions Limited.

*Related Party Debt:*

The Directors consider this debt to be recoverable based on previous experience and a trading relationship with these entities.

##### 1.16 Prior year adjustment

In the prior year financial statements, the company's share premium and investments were incorrectly stated as the principles of merger accounting was not appropriately applied. The error resulted in equity and non-current assets being overstated by £118,362 at 1 June 2016 and 31 May 2017.

#### 2 Segmental analysis Turnover

	2018 £	2017 £
United Kingdom	7,151,221	6,817,689
Ireland	5,078,987	1,893,506
Rest of the World	2,194,655	1,480,796
	<u>14,424,863</u>	<u>10,191,991</u>

**BRAINSTORM INVESTMENTS LIMITED****NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MAY 2018 (CONTINUED)**

<b>3</b>	<b>Operating profit</b>		
	<b>Group</b>	<b>2018</b>	<b>2017</b>
		<b>£</b>	<b>£</b>
	The operating profit is stated after charging/(crediting):		
	Amortisation of intangible fixed assets	7,051	18,938
	Depreciation on tangible fixed assets	215,145	138,593
	Operating lease rentals	235,587	182,059
	Foreign exchange losses/(gains)	29,344	(94,024)
	Loss on sale of tangible fixed assets	955	-
	Exceptional item	42,601	-
		<u>=====</u>	<u>=====</u>
	The exceptional item relates to the proposed management buyout of the business.		
	<b>Group</b>	<b>2018</b>	<b>2017</b>
		<b>£</b>	<b>£</b>
	Fees payable to the Company's auditor for the audit of the parent Company and the Group's consolidated financial statements	7,000	-
	Fees payable to the Company's auditor For other services:		
	- The audit of the Company's subsidiaries	44,300	38,875
	- Tax advisory services	3,250	-
	- Tax compliance services	2,500	9,850
	Total fees payable to the Company's auditor	<u>57,050</u>	<u>48,725</u>
		<u>=====</u>	<u>=====</u>
<b>4</b>	<b>Other interest receivable and similar income</b>		
	<b>Group</b>	<b>2018</b>	<b>2017</b>
		<b>£</b>	<b>£</b>
	Bank interest	1,616	4,030
		<u>=====</u>	<u>=====</u>

# **BRAINSTORM INVESTMENTS LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2018 (CONTINUED)**

<b>5</b>	<b>Taxation Group</b>	<b>2018</b>	<b>2017</b>
		<b>£</b>	<b>£</b>
	<i>UK corporation tax</i>		
	Current tax on profits for the year	<b>29,539</b>	-
	Adjustment in respect of previous periods	-	(37,825)
		<b>29,539</b>	(37,825)
	<i>Foreign tax</i>		
	Current tax on foreign income for the year	<b>120,651</b>	39,166
	Total current tax charge	<b>150,190</b>	1,341
	<i>Deferred tax</i>		
	Origination and reversal of timing differences	<b>7,287</b>	15,455
	Adjustments in respect of prior periods	<b>(819)</b>	(6,991)
	Effect of tax rate change on opening balance	-	63
	Total deferred tax charge	<b>6,468</b>	8,527
	Taxation on profit on ordinary activities	<b>156,658</b>	9,868

The tax assessed for the year is lower than (2017 - lower than) the standard rate of corporation tax in the UK applied to profit before tax. The differences are explained below:

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Profit on ordinary activities before tax	<b>1,103,676</b>	<b>876,162</b>
Profit on ordinary activities at the standard rate of corporation tax in the UK of 19.00 % (2017 – 19.83%)	<b>209,698</b>	173,768
Effects of:		
Expenses not deductible for tax purposes	<b>(504)</b>	18,571
Other permanent differences	<b>182</b>	-
Intangible amortisation on goodwill acquired after 8 July 2015	<b>6,080</b>	5,818
Adjustments to tax charge in respect of previous periods	<b>(819)</b>	(44,816)
Enhanced R&D relief	<b>(3,767)</b>	(2,645)
Effect of tax rate change on opening balance	<b>(857)</b>	(2,513)
Difference in tax rates on overseas earnings	<b>32,313</b>	39,233
Deferred tax not recognised	<b>(85,668)</b>	(177,548)
Total tax charge for the year	<b>156,658</b>	9,868

For further information on deferred tax balances see note 12.

**BRAINSTORM INVESTMENTS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MAY 2018 (CONTINUED)**

**6 Intangible fixed assets  
Group**

	<b>Customer database £</b>	<b>Negative goodwill £</b>	<b>Total £</b>
<b>Cost</b>			
At 1 June 2017	160,000	(124,744)	35,256
At 31 May 2018	160,000	(124,744)	35,256
<b>Amortisation</b>			
At 1 June 2017	29,333	(10,395)	18,938
Charge for the year	32,000	(24,949)	7,051
At 31 May 2018	61,333	(35,344)	25,989
<b>Net book values</b>			
At 31 May 2018	98,667	(89,400)	9,267
At 31 May 2017	130,667	(114,349)	16,318

The company does not have any intangible fixed assets (2017: £nil).



**BRAINSTORM INVESTMENTS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MAY 2018 (CONTINUED)**

<b>7 Tangible fixed assets</b>				
<b>Group</b>	<b>Computer equipment £</b>	<b>Leasehold land and buildings £</b>	<b>Fixtures and fittings £</b>	<b>Total £</b>
<b>Cost</b>				
At 1 June 2017	1,790,371	24,977	109,955	1,925,303
Additions	261,542	-	33,561	295,103
Disposals	(34,367)	-	(45,440)	(79,807)
Foreign exchange adjustment	(3,213)	-	414	(2,799)
At 31 May 2018	2,014,333	24,977	98,490	2,137,800
<b>Depreciation</b>				
At 1 June 2017	1,352,091	21,012	106,280	1,479,383
Charge for the year	208,455	2,504	4,186	215,145
Disposals	(33,936)	-	(44,918)	(78,854)
Foreign exchange adjustment	1,734	-	399	2,133
At 31 May 2018	1,528,344	23,516	65,947	1,617,807
<b>Net book value</b>				
At 31 May 2018	485,989	1,461	32,543	519,993
At 31 May 2017	438,280	3,965	3,675	445,920

The company does not have any tangible fixed assets (2017: £nil).

# BRAINSTORM INVESTMENTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2018 (CONTINUED)

### 8 Fixed asset investments

Company	Shares in subsidiary undertakings £
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At 1 June 2017 and 31 May 2018	1,656
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The Company's subsidiary undertakings and investment holdings at 31 May 2018 are as follows:

Name	Registered office	Principal activity during the year	Percentage of equity capital
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*Held directly:*

Brainstorm Holdings Limited	England and Wales	Holding company	100.0%
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*Held indirectly:*

Brainstorm Holdings Limited is the owner of:

Brainstorm Mobile Solutions Limited	England and Wales	UK Subsidiary	97.7%
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In turn, Brainstorm Mobile Solutions Limited is the owner of the following companies:

Brainstorm Mobile Solutions (Singapore) PTE. Limited	Singapore	Provision of mobile solutions	100.0%
Brainstorm Mobile Solutions (Brazil) Limited	Brazil	Trading	99.996%
Brainstorm Marketing Solutions Limited	England and Wales	Dormant	100.0%
Oxygen8 Communications Ireland Limited	Ireland	Development and provision of mobile solutions	100.0%

Brainstorm Holdings Limited is exempt from the requirements of the UK Companies Act 2006 relating to the audit of individual accounts by virtue of s479A of the Act.

The aggregate net equity and the profit/(loss) for the year of the subsidiaries noted above were as follows:

Name	Net equity £	Profit/(loss) for year £
Brainstorm Holdings Limited	-	-
Brainstorm Mobile Solutions Limited	2,906,981	563,293
Brainstorm Mobile Solutions (Singapore) PTE. Limited	97,615	(2,219)
Brainstorm Mobile Solutions (Brazil) Limited	224,068	346,933
Brainstorm Marketing Solutions Limited	-	-
Oxygen8 Communications Ireland Limited	1,417,269	447,879

# **BRAINSTORM INVESTMENTS LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2018 (CONTINUED)**

### **9 Financial instruments**

	<b>Group</b>		<b>Company</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Carrying amount of financial assets</b>				
Debt instruments measured at amortised cost	6,540,611	5,063,071	-	-
<b>Carrying amount of financial liabilities</b>				
Measured at amortised cost	2,308,027	2,202,874	-	-

Financial assets measured at amortised cost comprise cash, trade debtors, other debtors, accrued income and amounts owed by related parties.

Financial liabilities measured at amortised cost comprise trade creditors, other creditors, accruals and amounts owed to related parties.

Information regarding the company's exposure to and management of credit risk, liquidity risk, market risk, cash flow interest rate risk, and foreign exchange risk is included in the Directors' Report.

### **10 Debtors**

	<b>Group</b>		<b>Company</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Trade debtors	3,273,187	2,949,457	-	-
Other debtors	39,790	11,076	-	-
Amount owed by related parties	239,689	296,316	-	-
Prepayments and accrued income	926,965	1,074,068	-	-
	4,479,631	4,330,917	-	-

All amounts shown under debtors fall due for payment within one year.

# **BRAINSTORM INVESTMENTS LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2018 (CONTINUED)**

### **11 Creditors: amounts falling due within one year**

	<b>Group</b>		<b>Company</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Trade creditors	867,984	810,759	-	-
Corporation tax	81,799	41,133	-	-
Other taxes and social security	365,443	289,362	-	-
Amounts due to related parties	370,752	357,585	-	-
Other creditors	156,919	119,334	-	-
Accruals and deferred income	1,279,562	1,056,177	-	-
	<u>3,122,459</u>	<u>2,674,350</u>	<u>-</u>	<u>-</u>

### **12 Provisions for liabilities Deferred tax**

The following are the deferred tax liabilities recognised by the Group and the Company, and movements thereon:

	<b>Group</b>		<b>Company</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Accelerated capital allowances	31,941	18,883	-	-
Short-term timing differences	(11,084)	(4,251)	-	-
Tax losses carried forward	-	(243)	-	-
	<u>20,857</u>	<u>14,389</u>	<u>-</u>	<u>-</u>

	<b>Group</b>	<b>Company</b>
	<b>£</b>	<b>£</b>
Movements in the year:		
Liability at 1 June 2017	14,389	-
Charged to profit or loss	6,468	-
Liability at 31 May 2018	<u>20,857</u>	<u>-</u>

# BRAINSTORM INVESTMENTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2018 (CONTINUED)

### 13 Share capital

	2018 £	2017 £
<b>Allotted, called up and fully paid:</b>		
156,307 'A' Ordinary shares of £0.01 each	1,563	1,563

During the 2018 financial year, all "Ordinary" shares in 2017 were converted to 'A' Ordinary shares. There has been no movement in the number of shares in issue or their nominal value.

Shares relate to 'A' Ordinary shares and are entitled to profits available and resolved to be distributed by the board of directors in any financial year at such rates as decided by the board from time to time. The board is entitled to make a distribution to one class of share without making a distribution to any other classes of shares.

Each holder of 'A' Ordinary shares is entitled to one vote per share.

### 14 Reconciliation of operating profit to net cash inflow from operating activities

	2018 £	2017 £
Profit for the year after tax	947,018	866,294
Net interest income	(1,611)	(4,030)
Tax on profit on ordinary activities	150,658	9,868
Amortisation on negative goodwill	(24,949)	(10,395)
Amortisation of intangible fixed assets	32,000	29,333
Depreciation of tangible assets	215,145	138,593
Loss on disposal of tangible assets	955	-
Other non-cash movements	(58,257)	15,601
Increase in debtors	(176,210)	(958,843)
Increase in creditors	427,915	509,332
Net cash inflow from operating activities	1,518,664	595,753

### 15 Employees Group

	2018 £	2017 £
Wages and salaries	4,969,206	4,525,222
Social security costs	504,110	433,712
Pensions	82,298	82,307
	5,555,614	5,041,241

Payments to the company's defined contribution pension schemes are charged to the profit and loss account as they become payable. At the year end, the pension liability was £31,764 (2017: £38,511).

**BRAINSTORM INVESTMENTS LIMITED****NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MAY 2018 (CONTINUED)****15 Employees (continued)****Number of employees**

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

	<b>2018 Number</b>	<b>2017 Number</b>
Sales and administration	65	55

**Group****Directors' and key management personnel**

	<b>2018 £</b>	<b>2017 £</b>
Emoluments for qualifying services:		
Oxygen8 Communications Ireland Limited	264,677	237,520
Brainstorm Mobile Solutions Limited	245,881	251,000
Contributions to the pension scheme:		
Oxygen8 Communications Ireland Limited	14,797	14,043
Brainstorm Mobile Solutions Limited	8,750	2,017
	534,105	504,580

The number of directors to whom retirement benefits are accruing under defined contribution schemes amounted to 2 (2017 - 2).

Emoluments disclosed above include the following amounts paid to the highest paid director:

Emoluments for the highest paid director	279,354	253,017
Pension contributions to the highest paid director	14,797	14,043

**16 Reserves**

The Group's reserves are as follows:

- Called up share capital reserve represents the nominal value of shares issued.
- Merger reserve arose on a past business combination that was accounted for as a merger in accordance with UK GAAP as applied at that time.
- Other reserves represents the nominal value of own shares that have been acquired by the company and subsequently cancelled.
- Profit and loss reserve represents the cumulative profits or losses, net of any dividends paid and other adjustments.
- Foreign exchange reserve reflects all current and prior period translation differences arising on translation to the presentation currency.

## BRAINSTORM INVESTMENTS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2018 (CONTINUED)

#### 17 Financial commitments

At 31 May 2018, the group was committed to making the following payments under non-cancellable operating leases:

	<b>Land and buildings</b>	
	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Within one year	226,524	167,914
Two to five years	716,123	182,883
Over five years	255,676	167,642
	<u>1,198,323</u>	<u>518,439</u>

The company had no commitments under non-cancellable operating leases as at the balance sheet date.

#### 18 Share based payments

During the year, the company set up an equity settled share option scheme, under which options were granted to a director of a subsidiary, Brainstorm Mobile Solutions Limited. 1,979 options over 'A' ordinary shares were granted at an exercise price of £9.50 and 100 options over 'B' ordinary shares were granted at an exercise price of £1.00. The options shall vest on the occurrence of an Exercise Event, as defined in the plan rules, and be exercisable over a period of 10 years. The directors have assessed the fair value of the options as at 31 May 2018 and consider it to be immaterial. As such, no charge has been recognised in profit or loss.

#### 19 Related party transactions Group and Company

The company has taken advantage of the exemption available under paragraph 33.1A of the Financial Reporting Standard 102 not to disclose transactions with other wholly owned members of the group.

During the year, Brainstorm Investments Limited (and its subsidiaries), traded with other companies, related due to common directorships / shareholdings. The transactions listed below are between Oxygen8 Communications Ireland Limited and the following entities:

During the year ended 31 May 2018, sales of £612 (2017: £9,841) were made to Oxygen8 Communications (Australia) Pty Limited. As at the year end, included within related party debtors is an amount of £42 (2017: £2,417) due from them.

During the year ended 31 May 2018, group recharges of £nil (2017: £88,486) were made to Oxygen8 Communications (East Africa) Limited. As at the year end, included within related party debtors is an amount of £9,018 (2017: £20,849) due from them. Also included within debtors is a loan amount of £1,727 (2017: £nil) due from them.

During the year ended 31 May 2018, purchases of £25,312 (2017: £27,592) were made from Oxygen8 Communications Inc. (USA). As at the year end, included within related party creditors is an amount of £3,874 (2017: £4,653) due to them.

## BRAINSTORM INVESTMENTS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2018 (CONTINUED)

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#### 19 Related party transactions (continued) Group and Company

During the year ended 31 May 2018, sales of £81,581 (2017: £46,904) were made to and purchases of £506,612 (2017: £344,147) were made from Oxygen8 M Limited. Group recharges of £5,341 (2017: £15,900) were also made during the year. As at the year end, included within related party debtors is an amount of £11,539 (2017: £27,040) due from them and included in related party creditors is an amount of £54,442 (2017: £33,871) due to them. Also included within debtors is a loan amount of £nil (2017: £21,374) due from them.

During the year ended 31 May 2018, sales of £12,776 (2017: £8,761) were made to Truancy Call Limited. As at the year end, included within related party debtors is an amount of £1,584 (2017: £1,882) due from them.

During the year ended 31 May 2018, sales of £12,005 (2017: £8,611) were made to and purchases of £71,270 (2017: £432,775) were made from Dynamic Mobile Billing Limited (UK). Group recharges of £nil (2017: £103,920) were also made during the year. As at the year end, included within related party debtors is an amount of £326 (2017: £1,869) due from them and included in related party creditors is an amount of £8,989 (2017: £20,555) due to them.

As at the year end of 31 May 2018, included within debtors was a loan of £32,839 (2017: £28,649) with Tola Mobile DMCC. Also included within the related party debtor balance is an amount of £nil (2017: £124) due from them. There were no group recharges during the year (2017: £122).

Other related party transactions include are between Brainstorm Mobile Solutions Limited and the following entities:

During the year ended 31 May 2018, sales of £1,331,938 (2017: £1,789,780) were made to and purchases of £1,663,962 (2017: £2,238,553) were made from Dynamic Mobile Billing Limited (UK). As at the year end, included within related party debtors is an amount of £182,615 (2017: £246,293) due from them and included in related party creditors is an amount of £285,213 (2017: £357,585) due to them.

During the year ended 31 May 2018, sales of £10,842 (2017: £nil) were made to Brainstorm Mobile Solutions (Brazil) Limited. As at the year end, included within amounts owed by subsidiary undertakings is an amount of £10,842 (2017: £nil) due from them. Brainstorm Mobile Solutions Ltd also received dividends of £491,264 from Brainstorm Mobile Solutions (Brazil) Limited during FY18.

During the year ended 31 May 2018, sales of £6,570 (2017: £nil) were made to Oxygen8 Gaming Limited.

During the year ended 31 May 2018, purchases of £118,672 (2017: £nil) were made from Tola Mobile Limited. As at the year end, included within related party creditors is an amount of £18,234 (2017: £nil) due to them.

There were no transactions undertaken with key management personnel with the exception of salaries, expenses and share options as disclosed in note 18.



**BRAINSTORM INVESTMENTS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MAY 2018 (*CONTINUED*)**

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**20 Post balance sheet events**

On 7 June 2018, the Group acquired the remaining 0.004% of the issued ordinary shares in Brainstorm Solucoes EM Telefonias Movel Brazil LTDA.

On 9 August 2018, the Group acquired 100% of the voting equity instruments of Engage Hub Limited for £12,500. At the date of authorisation of these financial statements a detailed assessment of the fair value of the identifiable net assets has not been completed.

**21 Control**

The immediate and ultimate controlling party is considered to be Gary Corbett.