

Company Registration No. 07535381 (England and Wales)

Spark44 Limited

Annual Report and Financial Statements

For the year ended 31 March 2018

Spark44 Limited

Company Information

Directors	Mr. Alistair Cook (Chairman) Mr. Marcus Waters (Appointed 19 May 2017)
Secretary	Elizabeth Coomber
Company number	07535381
Registered office	The White Collar Factory 1 Old Street Yard London EC1Y 8AF
Auditors	Kingston Smith LLP Charlotte Building 17 Gresse Street London W1T 1QL
Bankers	HSBC Bank plc City of London Corporate Centre 60 Queen Victoria Street London EC4N 4TR
Solicitors	Lewis Silkin LLP 5 Chancery Lane Clifford's Inn London EC4A 1BL

Spark44 Limited

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Spark44 Limited

Strategic Report

For the year ended 31 March 2018

The directors present the strategic report for the year ended 31 March 2018.

Review of the Business

During the year, the Company continued to develop its business with Jaguar Land Rover as shown in more detail in the Profit and Loss Account as set out on page 8 of this Report. This included the continued migration and integration from other agencies and agency networks of substantially all of Jaguar Land Rover's global, regional and local marketing communications activities, the only scopes of work not now handled by the Company being media planning & buying and public relations.

Scopes of work currently handled by the Company are listed below:

- Advertising
- Digital Activity
- Web-site Design, Development & Maintenance
- Retail Marketing
- Brochures
- Customer Relationship Marketing
- Fleet & Business
- Data Base Management
- Production
- Social Media
- Experiential
- Magazines

Principal risks and uncertainties

In addition to the general economic and competitive risks affecting any business operating in the global market-place for luxury motor vehicles, the Directors consider the following to be the most significant risk factors affecting the Company:

- The potential loss of its joint venture partner and principal client, Jaguar Land Rover Limited, albeit the Company currently enjoys an open and transparent relationship with Jaguar Land Rover, including a fair and equitable long-term contractual arrangement with that company.
- The Company is dependent on the talent, creative abilities and technical skills of all its personnel as well as their relationships with the Company's principal client, Jaguar Land Rover. If the Company was unable to attract new staff or retain its existing key talent or become unable to train and develop its staff, its performance would be adversely affected.

Financial risk management

The Company's operations expose it to limited financial risks other than minimal credit and foreign exchange risk which has not therefore required the Directors to delegate the responsibility of monitoring financial risk management to a sub-committee of the Board.

Spark44 Limited

Strategic Report (Continued)

For the year ended 31 March 2018

Key performance indicators

The Company manages its internal operational and financial performance using a number of KPIs, the most important of which are as follows:

Financial	2018 £'000	2017 £'000
Gross Profit (Revenue)	43,577	40,084
Operating Profit	5,776	4,161
Profit after Tax, available for distribution	4,595	3,109
Operational	2018	2017
Operating profit margin	13.3%	10.4%
Number of Full-time employees	481	413
Revenue per employee	91	97

Outlook & Future Developments

In light of the recent decision of the Board to permit the Company to approach other global clients (not being automotive brands) who are willing to adopt the joint venture approach to their marketing activities (which has been so successful for Jaguar Land Rover), the Directors are confident that this should allow the Company to continue its development and to deliver increased income and profits during the coming year.

By order of the board



Alistair Cook

Chairman

20.06.18

Spark44 Limited

Directors' Report

For the year ended 31 March 2018

The directors present their annual report and financial statements for the year ended 31 March 2018.

Principal activities

The principal activity of the Company is to manage all demand creation for its joint venture partner, Jaguar Land Rover Limited, both within the UK and globally. This includes creative and strategic ideation for the Jaguar and Land Rover brands and the co-ordination, management, design and production of all advertising and marketing materials delivered to its customers through all media, including on-line and off-line communication channels.

Under the 2006 Companies Act, section 414C(11), the information relating to future developments and risk management is included in the Strategic Report.

Directors

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

Mr. Steven Woolford	(Resigned 31 December 2017)
Mr. Alistair Cook (Chairman)	
Mr. Marcus Waters	(Appointed 19 May 2017)

Results and dividends

The results for the year are set out on page 8.

A dividend of £5,000,000 was declared and paid during the year to 31 March 2018.

Disabled persons

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment within the company continues and that the appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Employee involvement

The company's policy is to consult and discuss with employees, through unions, staff councils and at meetings, matters likely to affect employees' interests.

Information about matters of concern to employees is given through information bulletins and reports which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the company's performance.

There is no employee share scheme at present, but the directors are considering the introduction of such a scheme as a means of further encouraging the involvement of employees in the company's performance.

Auditor

In accordance with the company's articles, a resolution proposing that Kingston Smith LLP be reappointed as auditor of the company will be put at a General Meeting.

Spark44 Limited

Directors' Report (Continued)

For the year ended 31 March 2018

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

By order of the board



Elizabeth Coomber
Secretary

20/1/2018

Spark44 Limited

Independent Auditor's Report

To the Members of Spark44 Limited

Opinion

We have audited the financial statements of Spark44 Limited (the 'company') for the year ended 31 March 2018 which comprise the Profit And Loss Account, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, the 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 company's affairs as at 31 March 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 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.

Spark44 Limited

Independent Auditor's Report (Continued)

To the Members of Spark44 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 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, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

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 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 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.

Spark44 Limited

Independent Auditor's Report (Continued)

To the Members of Spark44 Limited

As part of an audit in accordance with ISAs (UK) we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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 for no purpose other than to draw to the attention of the company's members those matters we are required to include in an auditor's report addressed to them. To the fullest extent permitted by law, we do not accept or assume responsibility to any party other than the company and the company's members as a body, for our work, for this report, or for the opinions we have formed.



Esther Carder (Senior Statutory Auditor)
for and on behalf of Kingston Smith LLP

25.06.18

Chartered Accountants
Statutory Auditor

Charlotte Building
17 Gresse Street
London
W1T 1QL

Spark44 Limited

Profit and Loss Account

For the year ended 31 March 2018

		2018	2017
	Notes	£	as restated £
Turnover	3	69,667,602	67,761,508
Cost of sales		(26,090,662)	(27,677,759)
Gross profit		43,576,940	40,083,749
Administrative expenses		(37,800,543)	(35,922,262)
Operating profit	4	5,776,397	4,161,487
Interest receivable and similar income	8	128	15
Profit before taxation		5,776,525	4,161,502
Taxation	9	(1,181,819)	(1,052,540)
Profit for the financial year		4,594,706	3,108,962

The Profit And Loss Account has been prepared on the basis that all operations are continuing operations.

Spark44 Limited

Statement of Comprehensive Income For the Year ended 31 March 2018

	2018	2017
	£	£
Profit for the year	4,594,706	3,108,962
Other comprehensive income	-	-
Total comprehensive income for the year	<u>4,594,706</u>	<u>3,108,962</u>


Spark44 Limited

Balance Sheet

As at 31 March 2018

	Notes	2018 £	£	2017 £	£
Fixed assets					
Intangible assets	11	583,339		1,069,023	
Tangible assets	12	3,250,928		2,248,324	
		<u>3,834,267</u>		<u>3,317,347</u>	
Current assets					
Debtors	14	10,828,808	11,698,878		
Cash at bank and in hand		<u>6,060,064</u>	<u>4,144,085</u>		
		16,888,872	15,842,963		
Creditors: amounts falling due within one year	15	<u>(13,422,643)</u>	<u>(11,505,490)</u>		
Net current assets		<u>3,466,229</u>		<u>4,337,473</u>	
Total assets less current liabilities		<u>7,300,496</u>		<u>7,654,820</u>	
Provisions for liabilities	17	-		(16,404)	
Net assets		<u>7,300,496</u>		<u>7,638,416</u>	
Capital and reserves					
Called up share capital	18	1	1		
Other reserves		67,374	-		
Profit and loss reserves		<u>7,233,121</u>	<u>7,638,415</u>		
Total equity		<u>7,300,496</u>		<u>7,638,416</u>	

The financial statements were approved by the board of directors and authorised for issue on 20/6/18 and are signed on its behalf by:



Mr. Marcus Waters
Director

Company Registration No. 07535381

Spark44 Limited

Statement of Changes in Equity

For the year ended 31 March 2018

	Notes	Share capital £	Other reserves £	Profit and loss reserves £	Total £
As restated for the period ended 31 March 2017:					
Balance at 1 April 2016		1	-	4,529,453	4,529,454
Year ended 31 March 2017:					
Profit and total comprehensive income for the year		-	-	3,108,962	3,108,962
Balance at 31 March 2017		1	-	7,638,415	7,638,416
Year ended 31 March 2018:					
Profit and total comprehensive income for the year		-	-	4,594,706	4,594,706
Dividends	10	-	-	(5,000,000)	(5,000,000)
Share based payments		-	67,374	-	67,374
Balance at 31 March 2018		1	67,374	7,233,121	7,300,496

Spark44 Limited

Notes to the Financial Statements

For the year ended 31 March 2018

1 Accounting policies

Company information

Spark44 Limited is a limited company domiciled and incorporated in England and Wales. The registered office is The White Collar Factory, 1 Old Street Yard, London, EC1Y 8AF.

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 pound.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

The Company has taken advantage of the following disclosure exemptions:

- The requirements of Section 7 Statement of Cash Flows and Section 3 Financial Statement Presentation paragraph 3.17(d).
- The requirement of Section 33 Related Party Disclosures paragraph 33.7.

1.2 Going concern

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

1.3 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.

Revenue from contracts for the provision of professional services is recognised by reference to the stage of completion when the stage of completion, costs incurred and costs to complete can be estimated reliably. The stage of completion is calculated by comparing costs incurred, mainly in relation to contractual hourly staff rates and materials, as a proportion of total costs. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Fee income that is contingent on events outside the control of the company is recognised when the contingent event occurs.

Spark44 Limited

Notes to the Financial Statements (Continued)

For the year ended 31 March 2018

1 Accounting policies

(Continued)

1.4 Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date if the fair value can be measured reliably.

Amortisation 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:

Software	Straight line over 3 years
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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:

Land and Buildings Leasehold	Straight line over the term of the lease
Fixtures, fittings & equipment	Straight line over 4 years
Computer equipment	Straight line over 3 years

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

1.6 Cash and cash equivalents

Cash and cash equivalents 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.

1.7 Financial instruments

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

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

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

Fair value measurement of financial instruments

Cash at bank and in hand 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.

Spark44 Limited

Notes to the Financial Statements (Continued)

For the year ended 31 March 2018

1 Accounting policies

(Continued)

Basic financial assets

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

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.

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 impairment.

Interest is recognised by applying the effective interest method, except for short-term receivables when the recognition of interest would be immaterial. The effective interest 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. 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 when it 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 company after deducting all of its liabilities.

Spark44 Limited

Notes to the Financial Statements (Continued)

For the year ended 31 March 2018

1 Accounting policies

(Continued)

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.

Other financial liabilities

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

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

Derecognition of financial liabilities

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

1.8 Taxation

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

Current tax

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

Spark44 Limited

Notes to the Financial Statements (Continued)

For the year ended 31 March 2018

1 Accounting policies

(Continued)

Deferred tax

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

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.9 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.

1.10 Retirement benefits

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

1.11 Share-based payments

Equity-settled share-based payments are measured at fair value at the date of grant by reference to the fair value of the equity instruments granted using the Black-Scholes model. The fair value determined at the grant date is expensed on a straight-line basis over the vesting period, based on the estimate of shares that will eventually vest. A corresponding adjustment is made to equity.

1.12 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to income on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

1.13 Foreign exchange

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

Spark44 Limited

Notes to the Financial Statements (Continued)

For the year ended 31 March 2018

2 Judgements and key sources of estimation uncertainty

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

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

Critical judgements

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Amortisation

The annual amortisation charge for intangible assets is sensitive to changes in the estimated lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. Goodwill impairment reviews are also performed annually. These reviews require an estimation of the value in use of the cash generating units to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise for the cash generating unit and a suitable discount rate to calculate present value. See note 11 for the carrying amount of the intangible assets and note 1.4 for the useful economic lives for each class of asset.

Depreciation

The annual depreciation charge for property, plant and equipment is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 12 for the carrying amount of the property, plant and equipment and note 1.5 for the useful economic lives for each class of asset.

Revenue recognition

Revenue from contracts is assessed on an individual basis with revenue earned being ascertained based on the stage of completion of the contract which is estimated using a combination of the milestones in the contract and the time spent to date compared to the total time expected to be required to undertake the contract. Estimates of the total time required to undertake the contracts are made on a regular basis and subject to management review.

3 Turnover and other revenue

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

	2018 £	2017 £
Turnover		
Fees and sale of services	69,332,234	67,487,844
Other income	335,368	273,664
	<u>69,667,602</u>	<u>67,761,508</u>

Spark44 Limited

Notes to the Financial Statements (Continued)

For the year ended 31 March 2018

3 Turnover and other revenue

(Continued)

Turnover analysed by geographical market

	2018 £	2017 £
UK	68,569,305	65,816,782
Europe	523,606	545,824
Rest of the World	574,691	1,398,902
	<u>69,667,602</u>	<u>67,761,508</u>

4 Operating profit

	2018 £	2017 £
Operating profit for the year is stated after charging/(crediting):		
Exchange losses	32,596	341,151
Fees payable to the company's auditors for the audit of the company's financial statements	23,450	22,375
Depreciation of owned tangible fixed assets	1,274,221	1,449,693
Loss/ (profit) on disposal of tangible fixed assets	18,805	(4,555)
Amortisation of intangible assets	519,503	456,017
Share-based payments	67,374	-
Operating lease charges	2,109,934	1,234,954
	<u>2,109,934</u>	<u>1,234,954</u>

5 Auditors' remuneration

	2018 £	2017 £
Fees payable to the company's auditor and its associates:		
For audit services		
Audit of the company's financial statements	23,450	22,375
	<u>23,450</u>	<u>22,375</u>

6 Employees

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

	2018 Number	2017 Number
Employees	479	411
Directors	2	2
	<u>481</u>	<u>413</u>

Spark44 Limited

Notes to the Financial Statements (Continued)

For the year ended 31 March 2018

6 Employees (Continued)

Their aggregate remuneration comprised:

	2018 £	2017 £
Wages and salaries	21,873,902	19,815,379
Social security costs	2,316,227	2,148,927
Pension costs	471,592	399,183
	<u>24,661,721</u>	<u>22,363,489</u>

7 Directors' remuneration

	2018 £	2017 £
Remuneration for qualifying services	496,539	475,835
Company pension contributions to defined contribution schemes	3,833	4,487
	<u>500,372</u>	<u>480,322</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 1 (2017 - 1).

Remuneration disclosed above includes the following amounts paid to the highest paid director:

Remuneration for qualifying services	<u>386,478</u>	<u>245,385</u>
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8 Interest receivable and similar income

	2018 £	2017 £
Interest income		
Interest on bank deposits	<u>128</u>	<u>15</u>

9 Taxation

	2018 £	2017 £
Current tax		
UK corporation tax on profits for the current period	<u>1,355,345</u>	<u>1,096,954</u>

Spark44 Limited

Notes to the Financial Statements (Continued)

For the year ended 31 March 2018

9 Taxation

(Continued)

Deferred tax

Origination and reversal of timing differences	(173,526)	(44,414)
	<u> </u>	<u> </u>
Total tax charge	1,181,819	1,052,540
	<u> </u>	<u> </u>

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:

	2018 £	2017 £
Profit before taxation	5,776,525	4,161,502
	<u> </u>	<u> </u>
<i>Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2017: 20.00%)</i>	1,097,540	832,300
Tax effect of expenses that are not deductible in determining taxable profit	67,374	21,753
Permanent capital allowances in excess of depreciation	603,830	246,381
Other non-reversing timing differences	15,705	-
Loss/ (profit) on disposal of fixed assets	18,805	(911)
Movement on deferred tax	(173,526)	(44,414)
Provisions adjustment	(448,959)	(5,740)
Capital items expensed	1,050	3,171
	<u> </u>	<u> </u>
Taxation charge for the year	1,181,819	1,052,540
	<u> </u>	<u> </u>

10 Dividends

	2018 £	2017 £
Final paid	5,000,000	-
	<u> </u>	<u> </u>

Spark44 Limited

Notes to the Financial Statements (Continued)

For the year ended 31 March 2018

11 Intangible fixed assets

	Software £
Cost	
At 1 April 2017	1,573,712
Additions	33,914
Disposals	(322)
At 31 March 2018	1,607,304
Amortisation and impairment	
At 1 April 2017	504,689
Amortisation charged for the year	519,503
Disposals	(227)
At 31 March 2018	1,023,965
Carrying amount	
At 31 March 2018	583,339
At 31 March 2017	1,069,023

12 Tangible fixed assets

	Land and buildings leasehold £	Fixtures, fittings & equipment £	Computer equipment £	Total £
Cost				
At 1 April 2017	2,567,863	531,245	1,518,075	4,617,183
Additions	1,805,644	146,399	314,720	2,266,763
Disposals	(1,144,372)	(59,932)	(109,491)	(1,313,795)
At 31 March 2018	3,229,135	617,712	1,723,304	5,570,151
Depreciation and impairment				
At 1 April 2017	1,342,430	250,551	775,878	2,368,859
Depreciation charged in the year	679,863	113,206	481,152	1,274,221
Eliminated in respect of disposals	(1,195,652)	(40,254)	(87,951)	(1,323,857)
At 31 March 2018	826,641	323,503	1,169,079	2,319,223
Carrying amount				
At 31 March 2018	2,402,494	294,209	554,225	3,250,928
At 31 March 2017	1,225,433	280,694	742,197	2,248,324

Spark44 Limited

Notes to the Financial Statements (Continued)

For the year ended 31 March 2018

13 Financial instruments

	2018 £	2017 £
Carrying amount of financial assets		
Debt instruments measured at amortised cost	9,797,569	11,049,705
Carrying amount of financial liabilities		
Measured at amortised cost	10,618,145	9,073,377

14 Debtors

	2018 £	2017 £
Amounts falling due within one year:		
Trade debtors	288,217	6,451,655
Amounts due from fellow group undertakings	7,883,570	2,409,698
Other debtors	1,126,287	893,448
Prepayments and accrued income	1,352,477	1,922,942
	10,650,551	11,677,743
Deferred tax asset (note 16)	178,257	21,135
	10,828,808	11,698,878

Other debtors includes a balance of £927,045 (2017 - £655,258) in relation to a rental deposit deed that is recoverable in more than one year. The rental deposit is repayable at the end of the lease.

15 Creditors: amounts falling due within one year

	2018 £	2017 £
Trade creditors	3,076,475	2,627,849
Amounts due to fellow group undertakings	416,286	136,621
Corporation tax	698,445	549,566
Other taxation and social security	2,106,053	1,882,547
Other creditors	-	180,193
Accruals and deferred income	7,125,384	6,128,714
	13,422,643	11,505,490

HSBC Bank PLC holds a fixed and floating charge over the present and future assets of the company registered on 13 June 2014.

Spark44 Limited

Notes to the Financial Statements (Continued)

For the year ended 31 March 2018

16 Deferred taxation

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

	Liabilities 2018 £	Liabilities 2017 £	Assets 2018 £	Assets 2017 £
Balances:				
Accelerated capital allowances	-	16,404	79,360	-
Retirement benefit obligations	-	-	-	12,585
Other provisions	-	-	98,897	8,550
	<u>-</u>	<u>16,404</u>	<u>178,257</u>	<u>21,135</u>

17 Provisions for liabilities

	2018 £	2017 £
Deferred tax liabilities	-	16,404
	<u>-</u>	<u>16,404</u>

18 Share capital

	2018 £	2017 £
Ordinary share capital		
Issued and fully paid		
1 Ordinary share of £1	<u>1</u>	<u>1</u>

19 Share-based payment transactions

During the year, the company recognised total share-based payment expenses of £67,374 (2017 - £-) which related to equity settled share based payment transactions.

20 Retirement benefit schemes

Defined contribution schemes

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

The charge to profit and loss in respect of defined contribution schemes was £471,592 (2017: £399,183).

Retirement benefits totalling £86,577 (2017: £69,918) were outstanding at the year end and are included within creditors.

Spark44 Limited

Notes to the Financial Statements (Continued)

For the year ended 31 March 2018

21 Prior year adjustments

The company has decided to reclassify freelancer costs from Cost of Sale to Administration costs and so the prior year comparative figures have been updated to reflect this. The presentation adjustment affects gross profit, but has £nil effect on operating profit and profit before tax.

22 Operating lease commitments

Lessee

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2018 £	2017 £
Within one year	1,616,338	849,965
Between two and five years	6,893,967	4,328,931
in over five years	14,274,509	-
	<u>22,784,814</u>	<u>5,178,896</u>

23 Related party transactions

The Company has taken advantage of the exemption available in FRS 102 Paragraph 33.1A whereby it has not disclosed transactions with the immediate parent company or any wholly owned subsidiary undertaking.

Jaguar Land Rover Limited is the only customer of Spark44 Limited at the present time and substantially all its sales during the year are to Jaguar Land Rover Group companies – with the exception of a small volume of sales made to independently owned and managed Jaguar Land Rover dealerships.

Jaguar Land Rover is a related party by virtue of Tata Motors Limited being the ultimate controlling parent of both it and Spark 44 (JV) limited. Therefore all outstanding trade debtors directly in relation to Jaguar Land Rover at year end are reflected in the intercompany account.

Spark44 Limited

Notes to the Financial Statements (Continued)

For the year ended 31 March 2018

24 Controlling party

The immediate controlling company is Spark44 (JV) Limited, a company registered in England and Wales, by virtue of its controlling stake in Spark44 Limited.

The ultimate controlling parent company is Tata Motors Limited, a company incorporated in India, by virtue of its controlling stake in Spark44 (JV) Limited.

Results of Spark44 Limited are included in the consolidated accounts of Spark44 (JV) Limited.

Copies of the accounts for Spark44 (JV) Limited are available from Companies House, Crown Way, Cardiff, CF14 3UZ.

Spark44 Limited

Management Information

For the year ended 31 March 2018

Spark44 Limited

Detailed Trading and Profit and Loss Account

For the year ended 31 March 2018

	£	2018 £	£	2017 £
Turnover				
Fees and sale of services		69,332,234		67,487,844
Other income		335,368		273,664
		<u>69,667,602</u>		<u>67,761,508</u>
Cost of sales				
Direct costs	26,090,662		27,677,759	
		<u>(26,090,662)</u>		<u>(27,677,759)</u>
Gross profit		43,576,940		40,083,749
Administrative expenses		<u>(37,800,543)</u>		<u>(35,922,262)</u>
Operating profit		5,776,397		4,161,487
Investment revenues				
Bank interest received	128		15	
		<u>128</u>		<u>15</u>
Profit before taxation		<u>5,776,525</u>		<u>4,161,502</u>

Spark44 Limited

Schedule of Administrative Expenses

For the year ended 31 March 2018

	2018 £	2017 £
Administrative expenses		
Wages and salaries	21,309,989	19,339,544
Social security costs	2,316,227	2,148,927
Staff recruitment costs	483,128	634,827
Staff welfare	335,776	295,494
Staff training	373,024	128,363
Staff pension costs defined contribution	467,759	394,696
Equity settled share based payment costs	67,374	-
Directors' remuneration	496,539	475,835
Directors' pension costs defined contribution	3,833	4,487
Rent re operating leases	2,018,515	1,159,788
Rates	559,222	291,697
Cleaning	121,299	111,650
Power, light and heat	148,622	73,736
Repairs and maintenance	158,939	74,503
Insurance	261,755	160,299
Office expenses, repairs and maintenance	264,240	102,690
Computer running costs	1,215,905	1,462,600
Leasing - plant and machinery	91,419	75,166
Travelling expenses	333,036	371,972
Professional subscriptions	9,872	7,958
Legal and professional fees	133,499	195,325
Consultancy fees	41,001	102,689
Accountancy	79,361	40,190
Audit fees	23,450	22,375
Charitable donations	10,450	1,500
Bank charges	10,309	15,561
Bad and doubtful debts	(3,109)	(7,784)
Printing and stationery	42,292	46,086
Advertising	141,587	68,547
Telecommunications	236,697	195,641
Entertaining	182,774	148,998
Sundry expenses	81	564
Conferences	113,936	74,211
Amortisation	519,503	456,017
Depreciation	1,274,221	1,449,693
(Profit) / loss on sale of tangible assets	18,805	(4,555)
(Profit) / loss on foreign exchange	32,596	341,151
Freelancer costs	3,906,617	5,461,821
	<u>37,800,543</u>	<u>35,922,262</u>

