

Company Registration No. 07535381 (England and Wales)

Spark44 Limited

Annual Report and Financial Statements

For the year ended 31 March 2020

Spark44 Limited

Company Information

Directors	Mr. Marcus Waters Mr. Avanes Sharm Mrs. Emma Forster Mr. Dudley Desborough
Company number	07535381
Registered office	The White Collar Factory 1 Old Street Yard London EC1Y 8AF
Auditors	Moore 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 2020

The directors present the strategic report for the year ended 31 March 2020.

Review of the Business

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

The financial performance of the business this financial year reflects the investment of Spark44 in the success of their business partner and our support of them during a particularly challenging second half of the financial year.

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
- Data Analytics

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 business partner and principal client, albeit the Company currently enjoys an open and transparent relationship with JLR, 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, JLR. 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 2020

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	2020	2019
	£'000	£'000
Gross Profit (Revenue)	35,588	43,998
Operating Profit	2,605	4,984
Profit after Tax, available for distribution	2,137	3,938
Operational	2020	2019
Operating profit margin	7.3%	11.3%
Number of Full-time employees	423	525
Revenue per employee	84,133	83,805

COVID-19

Our principal client Jaguar Land Rover Limited, as with the rest of the global automotive industry, faced significant business challenges presented by the COVID-19 outbreak at the end of our financial year. As a strategic business partner, Spark44 have worked with JLR and our other clients to provide continued support and pro-actively adapt in an agile fashion without compromising business continuity or requiring restructuring. The business has adapted our ways of working to facilitate temporary home working for all personnel. These new ways of working have not compromised our ability to maintain the customer service delivery standards required by our clients.

The Company made a profit for the year of £2.14m and as at the balance sheet date had net assets of £8.32m. Subsequent to the year end, there has been impact of the Coronavirus (COVID-19) pandemic. The Company has assessed the risks and the potential impact on the business as a result of the pandemic and measures have been taken to mitigate such risks and their impact. The group remains profitable since the year end and has sufficient cash reserves for the short term. The group does not have a high level of fixed costs and is engaged in a programme of cost deferral and reduction which will be proportionate to any anticipated drop off in revenues and cash inflows. As a result the directors are confident that they have the ability to respond effectively to continued uncertainty and as a result, the directors believe that the group and company will be able to continue to meet its liabilities as they fall due for a period of at least twelve months from the date of approval of the financial statements.

Spark44 Limited

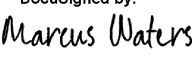
Strategic Report (Continued)

For the year ended 31 March 2020

Outlook & Future Developments

During the financial year we continued to develop our relationships with other brands, including Tata Global Beverages, specifically Tetley Tea. During the year the Company expanded its client portfolio and added new clients Harley-Davidson and Castrol. These new client wins will, partly, offset the portfolio risk previously mentioned. We anticipate the coming financial year to be one of consolidation given the macro-economic headwinds and feel we're well placed to ensure we can weather this storm until the economic outlook improves.

On behalf of the board

DocuSigned by:

.....3A3783FA7DF4410.....
Mr. Marcus Waters
Director
6/4/2020
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Spark44 Limited

Directors' Report

For the year ended 31 March 2020

The directors present their annual report and financial statements for the year ended 31 March 2020.

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. Marcus Waters
Mr. Avanesh Sharma
Mrs. Emma Forster
Mr. Dudley Desborough

Results and dividends

The results for the year are set out on page 9.

A dividend of £2,200,000 was declared and paid during the year to 31 March 2020.

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.

The Company's immediate parent company operates a Share Option Plan as a means to reward and incentivise senior staff and management of all subsidiary companies, including Spark44 Limited.

Auditor

The auditor, Moore Kingston Smith LLP, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

Spark44 Limited

Directors' Report (Continued)

For the year ended 31 March 2020

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 therefore 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.

On behalf of the board

DocuSigned by:

3A3783FA7DF4410.....
Mr. Marcus Waters
Director
6/4/2020

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 2020 which comprise the Profit And Loss Account, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity 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 2020 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 Moore Kingston Smith LLP

9 June 2020
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Chartered Accountants
Statutory Auditor

Charlotte Building
17 Gresse Street
London
W1T 1QL

Spark44 Limited

Profit and Loss Account

For the year ended 31 March 2020

	Notes	2020 £	2019 £
Turnover	3	58,630,691	77,377,022
Cost of sales		(23,042,768)	(33,378,875)
Gross profit		35,587,923	43,998,147
Administrative expenses		(32,983,060)	(39,013,893)
Operating profit	4	2,604,863	4,984,254
Interest receivable and similar income	8	361	848
Profit before taxation		2,605,224	4,985,102
Taxation	9	(468,360)	(1,046,634)
Profit for the financial year		2,136,864	3,938,468

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 2020

	2020 £	2019 £
Profit for the year	2,136,864	3,938,468
Other comprehensive income	-	-
Total comprehensive income for the year	<u>2,136,864</u>	<u>3,938,468</u>

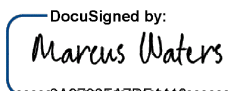
Spark44 Limited

Balance Sheet

As at 31 March 2020

	Notes	2020 £	£	2019 £	£
Fixed assets					
Intangible assets	11		15,643		82,011
Tangible assets	12		1,341,643		2,176,101
			<u>1,357,286</u>		<u>2,258,112</u>
Current assets					
Debtors	14	11,834,945		13,822,967	
Cash at bank and in hand		4,907,672		3,834,203	
		<u>16,742,617</u>		<u>17,657,170</u>	
Creditors: amounts falling due within one year	15	(9,775,577)		(11,637,444)	
Net current assets			<u>6,967,040</u>		<u>6,019,726</u>
Total assets less current liabilities			<u>8,324,326</u>		<u>8,277,838</u>
Capital and reserves					
Called up share capital	17		1		1
Other reserves			215,872		106,248
Profit and loss reserves			8,108,453		8,171,589
Total equity			<u>8,324,326</u>		<u>8,277,838</u>

The financial statements were approved by the board of directors and authorised for issue on 6/4/2020
and are signed on its behalf by:

DocuSigned by:

 3A3783FA7DF4410:.....
 Mr. Marcus Waters
 Director

Company Registration No. 07535381

Spark44 Limited

Statement of Changes in Equity

For the year ended 31 March 2020

	Notes	Share capital £	Share based payment reserve £	Profit and loss reserves £	Total £
Balance at 1 April 2018		1	67,374	7,233,121	7,300,496
Year ended 31 March 2019:					
Profit and total comprehensive income for the year		-	-	3,938,468	3,938,468
Dividends	10	-	-	(3,000,000)	(3,000,000)
Share based payments		-	38,874	-	38,874
Balance at 31 March 2019		1	106,248	8,171,589	8,277,838
Year ended 31 March 2020:					
Profit and total comprehensive income for the year		-	-	2,136,864	2,136,864
Dividends	10	-	-	(2,200,000)	(2,200,000)
Share based payments		-	109,624	-	109,624
Balance at 31 March 2020		1	215,872	8,108,453	8,324,326

Spark44 Limited

Notes to the Financial Statements

For the year ended 31 March 2020

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.

The company made a profit for the year of £2,136,864 and as at the balance sheet date had net assets of £8,324,326. Subsequent to the year end, there has been the global impact of the Coronavirus (COVID-19) pandemic. The company has assessed the risks and the potential impact on the business as a result of the pandemic and measures have been taken to mitigate such risks and their impact. The company remains profitable since the year end and has sufficient cash reserves for the short term. The company does not have a high level of fixed costs and is engaged in a programme of cost deferral and reduction which will be proportionate to any anticipated drop off in revenues and cash inflows. As a result the directors are confident that they have the ability to respond effectively to continued uncertainty and as a result, the directors believe that the company will be able to continue to meet its liabilities as they fall due for a period of at least twelve months from the date of approval of the financial statements.

Spark44 Limited

Notes to the Financial Statements (Continued)

For the year ended 31 March 2020

1 Accounting policies

(Continued)

1.3 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for 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.

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.

Spark44 Limited

Notes to the Financial Statements (Continued)

For the year ended 31 March 2020

1 Accounting policies

(Continued)

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.

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.

Spark44 Limited

Notes to the Financial Statements (Continued)

For the year ended 31 March 2020

1 Accounting policies

(Continued)

Impairment of financial assets

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

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

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

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or 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.

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.

Spark44 Limited

Notes to the Financial Statements (Continued)

For the year ended 31 March 2020

1 Accounting policies

(Continued)

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.

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.

Spark44 Limited

Notes to the Financial Statements (Continued)

For the year ended 31 March 2020

1 Accounting policies

(Continued)

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 2020

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.

Joint Share Ownership Plan (JSOP)

The group operates a Joint Share Ownership Plan (JSOP) for the benefit of certain employees. The JSOP is administered by an Employee Benefit Trust, the trustees of which own the legal title to the JSOP shares, while the beneficial ownership of the JSOP shares is held jointly by the trustees and the individual employee.

The group consider the award of a JSOP share to be an equity settled share-based payment transaction in light of the beneficial ownership transferred, together with the rights to dividends and voting this confers rather than a cash settled share-based payment.

Spark44 Limited

Notes to the Financial Statements (Continued)

For the year ended 31 March 2020

3 Turnover and other revenue

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

	2020 £	2019 £
Turnover		
Fees and sale of services	57,931,330	76,801,518
Other income	699,361	575,504
	<u>58,630,691</u>	<u>77,377,022</u>

Turnover analysed by geographical market

	2020 £	2019 £
UK	57,451,514	76,476,680
Europe	26,240	367,256
Rest of the World	1,152,937	533,086
	<u>58,630,691</u>	<u>77,377,022</u>

4 Operating profit

	2020 £	2019 £
Operating profit for the year is stated after charging/(crediting):		
Exchange losses/ (gains)	(45,047)	(69,539)
Fees payable to the company's auditors for the audit of the company's financial statements	24,100	29,550
Depreciation of owned tangible fixed assets	1,009,443	1,247,523
Loss/ (profit) on disposal of tangible fixed assets	(158)	356
Amortisation of intangible assets	75,599	512,620
Share-based payments	109,624	38,874
Operating lease charges	2,429,124	2,348,861
Non-recurring credits recognised	<u>(981,287)</u>	<u>-</u>

Non-recurring credits recognised in the accounts comprise the following amounts where the liability did not crystallise in the year:

- £513,330 supplier accruals reversed due to reduced scope of work
- £467,957 overhead expense provisions released

The liabilities have been written back to the expense lines in which they were originally recognised.

Spark44 Limited

Notes to the Financial Statements (Continued)

For the year ended 31 March 2020

5 Auditors' remuneration

	2020	2019
	£	£
Fees payable to the company's auditor and its associates:		
For audit services		
Audit of the company's financial statements	24,100	29,550
	<u>24,100</u>	<u>29,550</u>

6 Employees

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

	2020	2019
	Number	Number
Employees	419	523
Directors	4	2
	<u>423</u>	<u>525</u>

Their aggregate remuneration comprised:

	2020	2019
	£	£
Wages and salaries	18,982,202	22,719,588
Social security costs	2,025,487	2,470,876
Pension costs	689,210	647,758
	<u>21,696,899</u>	<u>25,838,222</u>

Spark44 Limited

Notes to the Financial Statements (Continued)

For the year ended 31 March 2020

7 Directors' remuneration

	2020 £	2019 £
Remuneration for qualifying services	893,365	1,366,117
Company pension contributions to defined contribution schemes	32,450	16,375
	<u>925,815</u>	<u>1,382,492</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 4 (2019 - 4).

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

	2020 £	2019 £
Remuneration for qualifying services	<u>293,261</u>	<u>792,122</u>

8 Interest receivable and similar income

	2020 £	2019 £
Interest income		
Interest on bank deposits	<u>361</u>	<u>848</u>

9 Taxation

	2020 £	2019 £
Current tax		
UK corporation tax on profits for the current period	<u>561,964</u>	<u>1,128,442</u>
Deferred tax		
Origination and reversal of timing differences	<u>(93,604)</u>	<u>(81,808)</u>
 Total tax charge	 <u>468,360</u>	 <u>1,046,634</u>

Spark44 Limited

Notes to the Financial Statements (Continued)

For the year ended 31 March 2020

9 Taxation

(Continued)

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:

	2020 £	2019 £
Profit before taxation	2,605,224	4,985,102
<i>Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%)</i>	494,993	947,169
Tax effect of expenses that are not deductible in determining taxable profit	235,936	38,874
Group relief	(78,611)	(149,391)
Permanent capital allowances in excess of depreciation	(86,603)	535,088
Capital items	-	(245,495)
Other non-reversing timing differences	-	45,146
Loss/ (profit) on disposal of fixed assets	(30)	356
Movement on deferred tax	(93,604)	(81,808)
Provisions adjustment	4,391	(41,621)
Capital items expensed	(8,112)	1,950
Capitalised revenue expenditure	-	(3,634)
Taxation charge for the year	468,360	1,046,634

10 Dividends

	2020 £	2019 £
Final paid	2,200,000	3,000,000

Spark44 Limited

Notes to the Financial Statements (Continued)

For the year ended 31 March 2020

11 Intangible fixed assets

	Software £
Cost	
At 1 April 2019	1,533,393
Additions	9,231
	<hr/>
At 31 March 2020	1,542,624
	<hr/>
Amortisation and impairment	
At 1 April 2019	1,451,382
Amortisation charged for the year	75,599
	<hr/>
At 31 March 2020	1,526,981
	<hr/>
Carrying amount	
At 31 March 2020	15,643
	<hr/> <hr/>
At 31 March 2019	82,011
	<hr/> <hr/>

12 Tangible fixed assets

	Land and buildings leasehold £	Fixtures, fittings & equipment £	Computer equipment £	Total £
Cost				
At 1 April 2019	3,283,329	613,106	1,708,901	5,605,336
Additions	14,045	71,320	90,735	176,100
Disposals	-	-	(3,414)	(3,414)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2020	3,297,374	684,426	1,796,222	5,778,022
	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation and impairment				
At 1 April 2019	1,563,814	442,739	1,422,682	3,429,235
Depreciation charged in the year	709,051	92,492	207,900	1,009,443
Eliminated in respect of disposals	-	-	(2,299)	(2,299)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2020	2,272,865	535,231	1,628,283	4,436,379
	<hr/>	<hr/>	<hr/>	<hr/>
Carrying amount				
At 31 March 2020	1,024,509	149,195	167,939	1,341,643
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 March 2019	1,719,515	170,367	286,219	2,176,101
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Spark44 Limited

Notes to the Financial Statements (Continued)

For the year ended 31 March 2020

13 Financial instruments

	2020 £	2019 £
Carrying amount of financial assets		
Debt instruments measured at amortised cost	10,157,904	12,008,284
Carrying amount of financial liabilities		
Measured at amortised cost	4,186,071	9,137,966

14 Debtors

	2020 £	2019 £
Amounts falling due within one year:		
Trade debtors	777,124	670,132
Corporation tax recoverable	20,664	-
Amounts due from fellow group undertakings	8,167,431	10,230,706
Other debtors	1,103,832	1,107,446
Prepayments and accrued income	1,412,225	1,554,618
	11,481,276	13,562,902
Deferred tax asset (note 16)	353,669	260,065
	11,834,945	13,822,967

Other debtors includes a balance of £927,045 (2019 - £927,045) 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

	2020 £	2019 £
Trade creditors	1,551,819	1,158,238
Corporation tax	-	519,103
Other taxation and social security	890,827	1,980,375
Other creditors	276	-
Accruals and deferred income	7,332,655	7,979,728
	9,775,577	11,637,444

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 2020

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:

	Assets 2020 £	Assets 2019 £
Balances:		
Accelerated capital allowances	300,333	217,169
Other provisions	53,336	42,896
	<u>353,669</u>	<u>260,065</u>

17 Share capital

	2020 £	2019 £
Ordinary share capital Issued and fully paid		
1 Ordinary share of £1	<u>1</u>	<u>1</u>

18 Share-based payment transactions

During the year, the company recognised total share-based payment expenses of £109,624 (2019 - £38,874) which related to equity settled share based payment transactions.

19 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 £689,210 (2019: £647,758).

Retirement benefits totalling £122,581 (2019: £109,301) 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 2020

20 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:

	2020 £	2019 £
Within one year	2,022,268	2,154,477
Between two and five years	8,631,386	9,000,978
In over five years	8,663,593	10,314,045
	<u>19,317,247</u>	<u>21,469,500</u>

21 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.

The Company, Spark44 (JV) Limited, is a subsidiary of Jaguar Land Rover Limited, itself a subsidiary of Jaguar Land Rover Automotive PLC. Substantially all Group sales during the year are to Jaguar Land Rover Automotive PLC subsidiary companies – with the exception of a small volume to independently owned and managed Jaguar Land Rover dealerships and minor fees for other clients.

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.

22 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 2020

Spark44 Limited

Detailed Trading and Profit and Loss Account

For the year ended 31 March 2020

	2020		2019	
	£	£	£	£
Turnover				
Fees and sale of services		57,931,330		76,801,518
Other income		699,361		575,504
		<u>58,630,691</u>		<u>77,377,022</u>
Cost of sales				
Direct costs	23,042,768		33,378,875	
		<u>(23,042,768)</u>		<u>(33,378,875)</u>
Gross profit		35,587,923		43,998,147
Administrative expenses		<u>(32,983,060)</u>		<u>(39,013,893)</u>
Operating profit		2,604,863		4,984,254
Investment revenues				
Bank interest received	361		848	
		<u>361</u>		<u>848</u>
Profit before taxation		<u><u>2,605,224</u></u>		<u><u>4,985,102</u></u>

Spark44 Limited

Schedule of Administrative Expenses

For the year ended 31 March 2020

	2020 £	2019 £
Administrative expenses		
Wages and salaries	17,979,213	21,314,597
Social security costs	2,025,487	2,470,876
Staff recruitment costs	344,202	217,719
Staff welfare	252,956	263,068
Staff training	134,538	261,109
Staff pension costs defined contribution	656,760	631,383
Equity settled share based payment costs	109,624	38,874
Directors' remuneration	893,365	1,366,117
Directors' pension costs defined contribution	32,450	16,375
Rent re operating leases	2,365,656	2,247,409
Rates	472,194	667,838
Cleaning	136,520	145,900
Power, light and heat	69,502	77,440
Repairs and maintenance	83,950	98,021
Insurance	236,581	221,517
Office expenses, repairs and maintenance	43,229	79,389
Computer running costs	1,641,822	1,414,640
Leasing - plant and machinery	63,468	101,452
Travelling expenses	442,075	480,264
Professional subscriptions	17,377	8,636
Legal and professional fees	178,324	120,123
Consultancy fees	27,270	209,005
Accountancy	46,731	67,315
Audit fees	41,901	38,960
Charitable donations	777	1,850
Bank charges	12,206	14,197
Printing and stationery	21,921	28,231
Advertising	136,112	187,505
Telecommunications	196,573	214,755
Entertaining	142,575	198,437
Sundry expenses	148	(182)
Conferences	34,945	135,655
Amortisation	75,599	512,620
Depreciation	1,009,443	1,247,523
(Profit) / loss on sale of tangible assets	(158)	356
(Profit) / loss on foreign exchange	(45,047)	(69,539)
Freelancer costs	3,102,771	3,984,458
	<u>32,983,060</u>	<u>39,013,893</u>