

# **Spark44 Middle East DMCC**

Financial Statements

For the year ended March 31, 2019

**Spark44 Middle East DMCC**  
**Financial Statements**  
**For the year ended March 31, 2019**

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## Director's report

The Director submits his report along with the audited financial statements of Spark44 Middle East DMCC (the "Company") for the year ended March 31, 2019.

### 1. Review of activities

#### Main business and operations

The Company is mainly engaged in providing advertising consultancy services, marketing management, events management, organizing exhibitions and web-designing services.

The operating results and financial position of the Company are fully set out in the attached financial statements. The Company generated a net profit of AED 2,699,764 for the year ended March 31, 2019 (2018: AED 3,350,360).

### 2. Auditors

Grant Thornton were appointed as auditors of the Company for the year ended March 31, 2019. The Director has proposed their appointment as auditors of the Company for the year ending March 31, 2020.

These financial statements for the year ended March 31, 2019 (including comparatives) were approved and signed by the Director on May 21, 2019:

  
\_\_\_\_\_  
Mr. Sung Bum Jun  
Director





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**Independent Auditor's Report  
To the Shareholder of Spark44 Middle East DMCC**

**Report on the Audit of the Financial Statements**

**Opinion**

We have audited the accompanying financial statements of Spark44 Middle East DMCC (the "Company"), which comprise the statement of financial position as at March 31, 2019, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at the end of the reporting year, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

**Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs). 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 International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



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## **Independent Auditor's Report**

**To the Shareholder of Spark44 Middle East DMCC**

### **Report on the Audit of the Financial Statements (continued)**

#### **Responsibilities of Management and Those Charged With Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with IFRS and their preparation in compliance with the applicable provisions of the Implementing Regulation No. 1/03 of Dubai Multi Commodities Centre Regulations 2003, and for such internal control as management determines 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, management is 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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

#### **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 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.

As part of an audit in accordance with ISAs, we exercise professional judgment 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 purpose 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 management.
- Conclude on the appropriateness of management's 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.

**Independent Auditor's Report**  
**To the Shareholder of Spark44 Middle East DMCC**

**Report on the Audit of the Financial Statements (continued)**

**Auditor's Responsibilities for the Audit of the Financial Statements (continued)**

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.

**Report on Other Legal and Regulatory Requirements**

As required by the Implementing Regulation No. 1/03 of Dubai Multi Commodities Centre Regulations 2003, we also confirm that we have obtained all the information and explanations necessary for our audit and proper books of account have been kept by the Company. To the best of our knowledge and belief, no violations of the above mentioned Law or of the Articles of Association of the Company have occurred during the year which would have had a material effect on the business of the Company or on its financial position.



**GRANT THORNTON**  
**Farouk Mohamed**  
**Registration No. 86**  
**Dubai, May 21, 2019**



Spark44 Middle East DMCC  
Financial Statements

Statement of financial position  
As at March 31, 2019

	Notes	2019 AED	2018 AED
<b>ASSETS</b>			
<b>Non-current</b>			
Property and equipment	5	681,137	1,037,861
Intangible asset	6	2,465	7,856
		<u>683,602</u>	<u>1,045,717</u>
<b>Current</b>			
Trade and other receivables	7	2,382,956	2,204,679
Cash and cash equivalents	8	4,575,449	4,856,477
		<u>6,958,405</u>	<u>7,061,156</u>
<b>TOTAL ASSETS</b>		<u><b>7,642,007</b></u>	<u><b>8,106,873</b></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital			50,000
Retained earnings	9	50,000	50,000
<b>Total equity</b>		<u><b>5,707,459</b></u>	<u><b>5,467,695</b></u>
<b>LIABILITIES</b>			
<b>Non-current</b>			
Employees' end of service benefits	10	1,046,283	811,454
<b>Current</b>			
Trade and other payables	11	838,265	1,777,724
<b>Total liabilities</b>		<u><b>838,265</b></u>	<u><b>1,777,724</b></u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><b>1,884,548</b></u>	<u><b>2,589,178</b></u>
		<u><b>7,642,007</b></u>	<u><b>8,106,873</b></u>

These financial statements for the year ended March 31, 2019 (including comparatives) were approved and signed by the Director on May 21, 2019:

Mr. Sung Bum Jun  
Director



The accompanying notes from 1 to 18 form an integral part of these financial statements.

Spark44 Middle East DMCC  
Financial Statements

Statement of comprehensive income  
For the year ended March 31, 2019

	Notes	For the year ended March 31, 2019 AED	For the year ended March 31, 2018 AED
Revenue		16,616,320	21,121,396
Cost of revenue	13	(10,881,444)	(14,726,085)
<b>GROSS PROFIT</b>		<b>5,743,876</b>	<b>6,395,311</b>
Administrative and general expenses	14	(3,035,112)	(3,044,951)
<b>NET PROFIT FOR THE YEAR</b>		<b>2,699,764</b>	<b>3,350,360</b>
Other comprehensive income		-	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>2,699,764</b>	<b>3,350,360</b>

The accompanying notes from 1 to 18 form an integral part of these financial statements.

**Spark44 Middle East DMCC**  
**Financial Statements**

**Statement of changes in equity**  
**For the year ended March 31, 2019**

	<b>Share capital AED</b>	<b>Retained earnings AED</b>	<b>Total equity AED</b>
Balance at April 1, 2017	50,000	2,117,335	2,167,335
Net profit for the year	-	3,350,360	3,350,360
Balance at March 31, 2018	50,000	5,467,695	5,517,695
Net profit for the year	-	2,699,764	2,699,764
Dividend paid (note 9)	-	(2,460,000)	(2,460,000)
Balance at March 31, 2019	<b>50,000</b>	<b>5,707,459</b>	<b>5,757,459</b>

The accompanying notes from 1 to 18 form an integral part of these financial statements.

Spark44 Middle East DMCC  
Financial Statements

Statement of cash flows  
For the year ended March 31, 2019

	Notes	2019 AED	2018 AED
<b>OPERATING ACTIVITIES</b>			
Net profit for the year		2,699,764	3,350,360
<i>Adjustment for non-cash items:</i>			
Depreciation	5	475,688	359,545
Amortisation	6	5,391	7,370
Provision for employees' end of service benefits	10	458,229	392,507
<i>Net changes in working capital:</i>			
Trade and other receivables		(178,277)	68,650
Trade and other payables		(939,459)	268,444
		<u>2,521,336</u>	<u>4,446,876</u>
Employees' end of service benefits paid	10	(223,400)	(12,297)
<b>Net cash from operating activities</b>		<u>2,297,936</u>	<u>4,434,579</u>
<b>INVESTING ACTIVITY</b>			
Purchase of property and equipment	5	(118,964)	(1,163,494)
<b>Net cash used in investing activity</b>		<u>(118,964)</u>	<u>(1,163,494)</u>
<b>FINANCING ACTIVITIES</b>			
Repayment of loan to Parent Company		-	(1,584,931)
Dividend paid	9	(2,460,000)	-
<b>Net cash used in financing activities</b>		<u>(2,460,000)</u>	<u>(1,584,931)</u>
<b>Net change in cash and cash equivalents</b>		<u>(281,028)</u>	<u>1,686,154</u>
Cash and cash equivalents, beginning of year		4,856,477	3,170,323
<b>Cash and cash equivalents, end of year</b>	8	<u>4,575,449</u>	<u>4,856,477</u>

The accompanying notes from 1 to 18 form an integral part of these financial statements.

# Spark44 Middle East DMCC Financial Statements

## Notes to the financial statements For the year ended March 31, 2019

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### **1 Legal status and nature of operations**

Spark44 Middle East DMCC (the "Company") is incorporated in Dubai, United Arab Emirates ("UAE") on July 14, 2015 (incorporation date) under the commercial license number DMCC-136145 issued by Dubai Multi Commodities Centre. The registered address of the Company is Unit No. 1401, Swiss Tower, Cluster-Y, Jumeirah Lakes Towers, Dubai, UAE.

The principal activities of the Company is to provide advertising consultancy services, marketing management, events management, organizing exhibitions and web-designing services.

The Company is a wholly owned subsidiary of Spark44 JV Limited (the "Parent Company"), a company incorporated in United Kingdom. Jaguar Land Rover Limited is the Company's Ultimate Parent Company (the "Ultimate Parent Company").

### **2 Statement of compliance**

These financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

### **3 Standards, interpretations and amendments to existing standards**

#### **3.1 Standards, interpretations and amendments to existing standards that are effective in 2018**

The following significant pronouncements from the IASB have been issued and have been adopted by the Company.

- a) The IASB has issued IFRS 9 'Financial Instruments', which supersedes IAS 39 'Financial Instruments: Recognition and Measurement' and is effective for annual periods beginning on or after 1 January 2018. IFRS 9 covers classification and measurement of financial assets and financial liabilities, impairment methodology and hedge accounting.

Management has assessed the implementation of this new standard and determined that it has no significant impact on the financial statements. There have been no changes to the classification or measurement of financial instruments as a result of its application.

- b) The IASB issued IFRS 15 'Revenue from Contracts with Customers', which provides a single model for accounting for revenue arising from contracts with customers and is effective for annual periods beginning on or after 1 January 2018. IFRS 15 will supersede IAS 18 'Revenue'.

Management has assessed the implementation of this new standard and determined that it has no impact on revenues in terms of the amount and timing of revenue recognition.

#### **3.2 Standards, interpretations and amendments to existing standards that are not yet effective and have not been adopted early by the Company**

The IASB issued IFRS 16 'Leases' which will supersede IAS 17 'Leases' and related interpretations and applies to annual reporting periods beginning on or after 1 January 2019. IFRS 16 brings most leases on balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases.

Management is in the process of assessing the impact of this standard on the financial statements. Therefore, the impact is not known as at the reporting date.

of both hedged items and hedging instruments and introducing a more principles-based approach to assessing hedge effectiveness.

Spark44 Middle East DMCC  
Financial Statements

Notes to the financial statements (continued)  
For the year ended March 31, 2019

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**4 Summary of significant accounting policies**

**4.1 Overall considerations**

These financial statements are presented in Arab Emirates Dirham (AED), which is the Company's functional and presentation currency.

These financial statements have been prepared on a going concern basis and using the measurement basis specified by IFRS for each type of asset, liability, income and expense. The measurement basis are more fully described in the accounting policies below.

**4.2 Foreign currency transactions**

Foreign currency transactions are converted into the functional currency, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items at year-end exchange rates are recognised in the statement of comprehensive income.

Non-monetary items measured at historical cost are translated using the exchange rates at the date of the transaction (not retranslated). Non-monetary items measured at fair value are translated using the exchange rates at the date when fair value was determined.

**4.3 Property and equipment**

Property and equipment are initially recognised at acquisition cost or manufacturing cost, including any costs directly attributable to bringing assets to the location and condition necessary for it to be capable of operating in the manner intended by the Company's management.

The cost of an item of property and equipment is recognized as an asset when:

- it is probable that future economic benefits associated with the item will flow to the Company; and
- the cost of the item can be measured reliably.

Property and equipment are carried at cost less accumulated depreciation and impairment losses, if any. The depreciation is charged to the statement of comprehensive income on a straight line basis over the estimated useful lives of each item of property and equipment. The estimated useful lives are as follows:

Item	Estimated useful life (in years)
Leasehold improvements	3
Office equipment	3
Furniture and fittings	4

The residual value and the useful life of each asset reviewed at each financial year end. Each part of an item of property and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately.

The depreciation charge for each year is recognized in the statement of comprehensive income unless it is included in the carrying amount of another asset.

Gains or losses arising on the disposal of property and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in statement of comprehensive income within 'other income/(expense) - net'.

Notes to the financial statements (continued)  
For the year ended March 31, 2019

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**4 Summary of significant accounting policies (continued)**

**4.4 Intangible asset**

Intangible asset represents acquired computer software licenses that qualifies for recognition as an intangible asset. It is accounted for using the cost model whereby capitalised costs are amortised on a straight-line basis over their estimated useful lives, as these assets are considered finite. Residual values and useful lives are reviewed at each reporting date. In addition, they are subject to impairment testing as described in note 4.14. The estimated useful life of the Company's intangible assets is 3 years. Amortisation has been included within administrative and general expenses.

**4.5 Financial instruments**

**Recognition, initial measurement and de-recognition**

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value plus transactions costs, except for those carried at fair value through profit or loss which are measured initially at fair value.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expired.

Financial assets and financial liabilities are measured subsequently as described below.

**Classification and subsequent measurement of financial assets**

For the purpose of subsequent measurement, financial assets are classified and measured at amortised cost if both of the following conditions are met:

- The asset is held in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest, if any, on the principal amount outstanding.

If the financial asset does not pass either of the above conditions, or only one of the above conditions, it is measured at fair value through profit or loss ('FVTPL'). Even if both conditions are met, management may designate a financial asset at FVTPL if doing so reduces or eliminates a measurement or recognition inconsistency.

As at the reporting date, the Company's financial assets comprise other receivables, due from related parties and cash and cash equivalents. These are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial.

**Classification and subsequent measurement of financial assets**

All income and expenses relating to financial assets measured at amortised cost are recognised in profit or loss and presented within 'finance costs - net' or 'other income - net', except for impairment of trade receivables which is presented within 'administrative and general expenses'.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a counterparty and other shared credit risk characteristics. The impairment loss estimate is then based on recent historical counterparty default rates for each identified group.

## Spark44 Middle East DMCC Financial Statements

### Notes to the financial statements (continued) For the year ended March 31, 2019

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#### **4 Summary of significant accounting policies (continued)**

##### **4.5 Financial instruments (continued)**

###### **Impairment of financial assets**

IFRS 9's impairment requirements use more forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. This replaces IAS 39's 'incurred loss model'. Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under IFRS 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

Recognition of credit losses is no longer dependent on the Company first identifying a credit loss event. Instead the Company considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ("Stage 1") and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ("Stage 2").
- 'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

###### **Previous financial asset impairment under IAS 39**

In the prior year, the impairment of trade receivables was based on the incurred loss model. Individually significant receivables were considered for impairment when they were past due or when other objective evidence was received that a specific counterparty will default. Receivables that were not considered to be individually impaired were reviewed for impairment in groups, which are determined by reference to the industry and region of the counterparty and other shared credit risk characteristics. The impairment loss estimate was then based on recent historical counterparty default rates for each identified group.

###### **Trade and other receivables**

The Company makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Company uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

The Company assess impairment of trade receivables on a collective basis as they possess shared credit risk characteristics they have been grouped based on the days past due.

###### **Classification and subsequent measurement of financial liabilities**

Financial liabilities comprise trade and other payables, due to related parties. Financial liabilities are measured subsequently at amortised cost using the effective interest method. Discounting is omitted if the impact is immaterial.

**Spark44 Middle East DMCC**  
**Financial Statements**

**Notes to the financial statements (continued)**  
**For the year ended March 31, 2019**

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**4 Summary of significant accounting policies (continued)**

**4.5 Financial instruments (continued)**

**Offsetting financial instruments**

Financial assets and liabilities are offset, and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

**4.6 Cash and cash equivalents**

Cash and cash equivalents comprise cash in hand and cash at bank, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. For the purpose statement of cashflows, all cash and bank balances are considered to be cash and cash equivalents.

**4.7 Employees' benefits**

**Short-term employee benefits**

The cost of short-term employee benefits (those payable within 12 months after the service is rendered) are recognised in the year in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense when the employee renders services that increase their entitlement or, in the case of non-accumulating absences, when the absences occur.

**Employees' end of service benefits**

A provision for employees' end of service benefits is made for the full amount due to employees for their years of service up to the reporting date in accordance with the UAE Labour Law and is reported as a separate line item under non-current liabilities. The entitlement to end of service benefits is based upon the employees' salary and length of service, subject to the completion of a minimum service year as specified in U.A.E. Labour Law. The expected costs of these benefits are accrued over the year of employment

**4.8 Equity and reserves**

Share capital represents the nominal value of shares that have been issued. Retained earnings represents all current and prior year retained profits.

**4.9 Provisions and contingencies**

Provisions are recognised when present obligations as a result of a past event will probably lead to an outflow of economic resources from the Company and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events. Provisions are not recognised for future operating losses.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material. All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognised, unless it was assumed in the course of a business combination.

**Spark44 Middle East DMCC**  
**Financial Statements**

**Notes to the financial statements (continued)**  
**For the year ended March 31, 2019**

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**4 Summary of significant accounting policies (continued)**

**4.10 Revenue**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured regardless of when payment is being made. Revenue is measured at the fair value of the consideration received or receivable by the Company, excluding discounts, rebates, and duty.

IFRS 15 'Revenue from Contracts with Customers' outlines a single comprehensive model of accounting for revenue arising from contracts with customers and supersedes current revenue recognition guidance found across several Standards and Interpretations within IFRSs. It establishes a new five-step model, explained below, which will apply to revenue arising from contracts with customers.

- Step 1 Identify the contract with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for each of those rights and obligations.
- Step 2 Identify the performance obligations in the contract: A performance obligation in a contract is a promise to transfer a good or service to the customer.
- Step 3 Determine the transaction price: Transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring the promised goods or services to a customer, excluding amounts collected on behalf of third parties.
- Step 4 Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Company will allocate the transaction price to each performance obligation in an amount that depicts the consideration to which the Company expects to be entitled in exchange for satisfying each performance obligation.
- Step 5 Recognise revenue when (or as) the Company satisfies a performance obligation.

The Company recognises revenue over time if any one of the following criteria is met:

- The customer simultaneously receives and consumes the benefits provided by the Company's performance as the Company performs; or
- The Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- The Company's performance does not create an asset with an alternative use to the Company, and the Company has an enforceable right to payment for performance completed to date.

*Rendering of services*

Revenue from services is recognised as and when services are performed. Consideration received for these services is initially deferred, included in other liabilities and is recognised as revenue in the year when the service is performed.

**4.11 Expenses**

Expenses are recognised in profit or loss upon utilisation of the service or at the date of their origin.

**4.12 Operating leases**

Where the Company is a lessee, payments on operating lease agreements are recognised as an expense on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

Spark44 Middle East DMCC  
Financial Statements

Notes to the financial statements (continued)  
For the year ended March 31, 2019

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**4 Summary of significant accounting policies (continued)**

**4.13 Significant management judgment in applying accounting policies**

When preparing the financial statements, management undertakes significant judgments, estimates and assumptions in applying the accounting policies of the Company that have the most significant effect on the financial statements and about recognition and measurement of assets, liabilities, income and expenses.

The actual results may differ from the judgments, estimates and assumptions made by management, and will seldom equal the estimated results.

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

**Impairment of financial asset**

The Company assesses its financial asset for impairment at each reporting date. In determining whether an impairment loss should be recorded in the statement of comprehensive income, the Company makes judgments as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for financial asset is calculated on an individual or specific identification basis, based on historical loss ratios, adjusted for national and industry specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio.

**4.14 Estimation uncertainty**

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

**Impairment of non-financial assets**

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. To determine the recoverable amount, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. In the process of measuring expected future cash flows management makes assumptions about future operating results. These assumptions relate to future events and circumstances. The actual results may vary, and may cause significant adjustments to the Company's assets within the next financial year.

In most cases, determining the applicable discount rate involves estimating the appropriate adjustment to market risk and the appropriate adjustment to asset-specific risk factors.

**Useful lives of depreciable and intangible assets**

Management estimates the useful lives of depreciable and intangible assets based on the expected utility of these assets to the Company, and these are reviewed at each reporting date. For depreciable assets, actual results however, may vary due to physical wear and tear and technical obsolescence. For intangible assets, actual results, however, may vary due to additional or new information obtained from further research and development.

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**Notes to the financial statements (continued)  
For the year ended March 31, 2019**

**5 Property and equipment**

2019	Leasehold improvements AED	Office equipment AED	Furniture and fittings AED	Total AED
<b>Cost</b>				
As at April 1, 2018	769,094	501,129	287,006	1,557,229
Additions	40,192	68,399	10,373	118,964
As at March 31, 2019	<u>809,286</u>	<u>569,528</u>	<u>297,379</u>	<u>1,676,193</u>
<b>Accumulated depreciation</b>				
As at April 1, 2018	178,972	262,087	78,309	519,368
Charge for the year (note 14)	256,960	147,594	71,134	475,688
As at March 31, 2019	<u>435,932</u>	<u>409,681</u>	<u>149,443</u>	<u>995,056</u>
<b>Net carrying amount at March 31, 2019</b>	<b><u>373,354</u></b>	<b><u>159,847</u></b>	<b><u>147,936</u></b>	<b><u>681,137</u></b>
2018				
<b>Cost</b>				
As at April 1, 2017	14,640	304,625	74,470	393,735
Additions	754,454	196,504	212,536	1,163,494
As at March 31, 2018	<u>769,094</u>	<u>501,129</u>	<u>287,006</u>	<u>1,557,229</u>
<b>Accumulated depreciation</b>				
As at April 1, 2017	11,355	119,830	28,638	159,823
Charge for the year (note 14)	167,617	142,257	49,671	359,545
As at March 31, 2018	<u>178,972</u>	<u>262,087</u>	<u>78,309</u>	<u>519,368</u>
<b>Net carrying amount at March 31, 2018</b>	<b><u>590,122</u></b>	<b><u>239,042</u></b>	<b><u>208,697</u></b>	<b><u>1,037,861</u></b>

**6 Intangible asset**

	2019 AED	2018 AED
<b>Cost</b>		
Opening balance	22,168	22,168
Closing balance	<u>22,168</u>	<u>22,168</u>
<b>Accumulated amortization</b>		
Opening balance	14,312	6,942
Charge for the year (note 14)	5,391	7,370
Closing balance	<u>19,703</u>	<u>14,312</u>
Net carrying amount at March 31,	<u>2,465</u>	<u>7,856</u>

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**Notes to the financial statements (continued)**  
**For the year ended March 31, 2019**

**7 Trade and other receivables**

	2019	2018
	AED	AED
<b>Financial assets</b>		
Trade receivables	-	3,231
Due from related parties (note 12)	1,320,921	1,304,857
Deposits	133,127	163,957
Advance to employees	138,096	15,550
	<u>1,592,144</u>	<u>1,487,595</u>
<b>Non-financial asset</b>		
Prepayments	790,812	717,084
	<u>2,382,956</u>	<u>2,204,679</u>

**8 Cash and cash equivalents**

	2019	2018
	AED	AED
Cash in hand	2,500	2,500
Cash at bank	4,572,949	4,853,977
	<u>4,575,449</u>	<u>4,856,477</u>

**9 Share capital**

The share capital of the Company consists of 50 fully paid ordinary shares with a par value of AED 1,000 each.

Shares issued and fully paid:

Beginning of the year	50
Shares issued	-
Total shares issued and fully paid at March 31, 2019	<u>50</u>
Total shares authorised at March 31, 2019	<u>50</u>
Total share capital (issued and fully paid at March 31, 2019, in AED)	<u>50,000</u>

The Company's issued share capital is held by the following shareholder:

	2019		2018	
	%	AED	%	AED
Spark44 JV Limited	100	50,000	100	50,000

During the year, the Company declared and paid dividend of AED 2,460,000 (2018: Nil).

**10 Employees' end of service benefits**

	2019	2018
	AED	AED
Opening balance	811,454	431,244
Charge for the year	458,229	392,507
Payments made during the year	(223,400)	(12,297)
Closing balance	<u>1,046,283</u>	<u>811,454</u>

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Notes to the financial statements (continued)  
For the year ended March 31, 2019

**11 Trade and other payables**

	2019	2018
	AED	AED
<b>Financial liabilities</b>		
Trade payables	352,616	1,351,180
Accruals and provisions	353,691	149,208
Due to related parties (note 12)	-	47,762
Other payables	46,720	50,294
	<u>753,027</u>	<u>1,598,444</u>
<b>Non-financial liability</b>		
VAT payable – net	85,238	179,280
	<u>838,265</u>	<u>1,777,724</u>

**12 Related parties**

The Company in the normal course of business carries on transactions with other business enterprises that fall within the definition of a related party. These transactions are carried out in the normal course of business and are measured at exchange amounts, being the amounts agreed by both the parties.

The Company's related parties mainly include its Ultimate Parent Company, Parent Company, key management personnel and entities under common control.

**Due from related parties**

	2019	2018
	AED	AED
<i>Ultimate Parent Company</i>		
Jaguar Land Rover Limited	1,313,447	1,297,383
<i>Entities under common control</i>		
Spark44 Demand Creations Partners Private Limited	7,474	7,474
	<u>1,320,921</u>	<u>1,304,857</u>

**Due to related parties**

<i>Ultimate Parent Company</i>		
Jaguar Land Rover Limited	-	47,762
	<u>-</u>	<u>47,762</u>

**Transactions with related parties**

Significant transactions carried out with related parties:

	2019	2018
	AED	AED
Revenue	16,616,320	20,890,946
Management fees (note 14)	596,220	755,278
Loan repaid to Parent Company	-	1,584,931
	<u>-</u>	<u>1,584,931</u>

**Key management personnel compensation**

Key management personnel of the Company is the Director of the Company. During the year, the key management personnel compensation was as follows:

	2019	2018
	AED	AED
Salaries and other benefits	984,159	732,904
End of service benefits	33,492	31,897
	<u>33,492</u>	<u>31,897</u>

**Spark44 Middle East DMCC**  
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**Notes to the financial statements (continued)**  
**For the year ended March 31, 2019**

**13 Cost of revenue**

	2019	2018
	AED	AED
Salaries and other benefits	7,650,846	7,298,562
Outsourced service costs	3,230,598	7,427,523
	<u>10,881,444</u>	<u>14,726,085</u>

**14 Administrative and general expenses**

	2019	2018
	AED	AED
Management fees (note 12)	596,220	755,278
Rent expense	503,523	610,706
Depreciation (note 5)	475,688	359,545
Salaries and other benefits	419,555	372,759
Consultancy and professional fees	181,836	105,842
Travelling expense	167,778	153,664
Recruitment cost	104,220	42,860
Training and conferences costs	56,853	76,536
Amortisation (note 6)	5,391	7,370
Others	524,048	560,391
	<u>3,035,112</u>	<u>3,044,951</u>

**15 Commitments**

As at the year end, commitments under non-cancellable operating leases as lessee were:

	2019	2018
	AED	AED
Within one year	484,897	455,468
More than one year but not more than five years	113,884	573,130

**16 Financial instrument risk**

**Risk management objectives and policies**

The Company is exposed to various risks in relation to financial instruments. The main types of risks are market risk, credit risk and liquidity risk.

The Company's risk management is coordinated by the Parent Company, in close cooperation with the management, and focuses on actively securing the Company's short to medium-term cash flows by minimising the exposure to financial markets.

The Company does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial instrument risks to which the Company is exposed are described below.

**16.1 Market risk**

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market.

The Company is exposed to market risk through its use of financial instruments and specifically to currency risk and interest rate risk, which result from its operating activities.

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**Notes to the financial statements (continued)**  
**For the year ended March 31, 2019**

**16 Financial instrument risk (continued)**

**Foreign currency risk**

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company undertakes transactions denominated in foreign currencies, consequently, exposures to exchange rate fluctuations arise.

The Arab Emirates Dirham (AED) is effectively pegged to the USD, thus balances in USD are not considered to represent significant currency risks. The carrying amount of the Company's foreign currency denominated monetary assets and monetary liabilities as at the end of the reporting year are as follows:

	Financial assets		Financial liabilities	
	2019 AED	2018 AED	2019 AED	2018 AED
United States Dollar (USD)	4,787,660	5,490,501	275,000	1,019,806
Euro (EUR)	2,007	2,205	-	-
	<b>4,789,667</b>	<b>5,492,706</b>	<b>275,000</b>	<b>1,019,806</b>

The risk to EUR exposure is considered not significant.

**Interest rate risk**

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates.

At the reporting date, the Company is not exposed to interest rate risk.

**16.2 Credit risk**

Credit risk is the risk that the counterparty fails to discharge an obligation to the Company. The Company's maximum exposure to credit risk is limited to the carrying amount of financial assets recognised at the reporting date, as summarised below:

	2019 AED	2018 AED
Trade and other receivables (note 7)	1,592,144	1,487,595
Cash at bank (note 8)	4,572,949	4,853,977
	<b>6,165,093</b>	<b>6,341,572</b>

The Company's management considers that all the above financial assets that are not impaired and the same are of good credit quality. None of the Company's financial assets are secured by collateral or other credit enhancements. The credit risk for cash and cash equivalents is limited, since the counterparties are reputable banks with quality credit ratings.

Some of the unimpaired receivables are past due as at the reporting date. Financial assets past due but not impaired are given below:

	2019 AED	2018 AED
Not more than 3 months	-	3,231

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**Notes to the financial statements (continued)**  
**For the year ended March 31, 2019**

**16 Financial instrument risk (continued)**

**16.3 Liquidity risk**

Liquidity risk also referred to as funding risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

	<b>Less than 1 year AED</b>
2019	
Trade and other payables	<u>753,027</u>
2018	
Trade and other payables	<u>1,598,444</u>
	<u>1,598,444</u>

**17 Fair value measurement**

Assets and liabilities measured at fair value in the statement of financial position are grouped into three levels of fair value hierarchy. This grouping is determined based on the lowest level of significant inputs used in fair value measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

None of the Company's financial instruments, non-financial assets and non-financial liabilities as at the reporting date are measured at fair value.

**18 Capital management policies and procedures**

The Company's capital management objectives are to ensure the Company's ability to continue as a going concern and to provide an adequate return to shareholders. Capital for the reporting year under review is summarised as follows:

	<b>2019 AED</b>	<b>2018 AED</b>
Equity	<b>5,757,459</b>	5,517,695
Cash and cash equivalents	<b>4,575,449</b>	4,856,477