Company Registration No. 3732746

SPARK RESPONSE LIMITED

Report and Financial Statements

30 June 2007

REPORT AND FINANCIAL STATEMENTS 2007

CONTENTS

REPORT AND FINANCIAL STATEMENTS 2007

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

P B Slee
B Stiefel
N Lambert (Appointed 8 January 2007)

SECRETARY

B Stiefel

REGISTERED OFFICE

Follingsby Avenue
Follingsby Park
Gateshead
NE10 8HQ

BANKERS

Barclays Bank PLC
71 Grey Street
Newcastle Upon Tyne
NE99 1SA

SOLICITORS

Dickinson Dees LLP
St Anns Wharf
112 Quayside
Newcastle Upon Tyne
NE99 1SB

AUDITORS

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
Newcastle upon Tyne

DIRECTORS' REPORT

The directors present their annual report together with the financial statements and independent auditors' report for the year ended 30 June 2007

BUSINESS REVIEW AND PRINCIPAL ACTIVITIES

The principal activity of the company is that of a provider of outsourced home shopping and ancillary services

During the year, the turnover of the business fell by 20%, an outturn which was representative of the first full year of trading following the decision of the largest client to take their workload in-house effective from early 2006 upon the completion of a 5 year relationship

This period reflected the company's most difficult year of trading to date The first half of the year saw significant effort to maximise business volumes – with minimal impact During the 3rd quarter however the company implemented a complete restructure of the Sales and Marketing function, together with a cross-company re-organisation and rationalisation programme Both these initiatives produced positive results, albeit too late within the period to influence the financial outturn

Despite the major changes effected during the second half of the year, gross profit reduced by 94%, due to the level of fixed cost within the business remaining, notwithstanding the reduced level of activity

PRINCIPAL RISKS AND UNCERTAINTIES

The sector in which the company operates is highly competitive and those companies who do outsource their activities do so via a competitive tendering process and naturally seek year on year cost reductions via improved efficiency levels This results in an elongated sales cycle with new prospects often taking up to a year to become confirmed clients

That said, online retailing is still growing at significant levels and the company is well placed to develop new campaigns within both its fulfilment and contact centre operations

In previous years the migration of contact centre work to offshore represented a risk to UK companies, with a prevailing strategy within the company to avoid 'offshore prone' traffic Recent evidence indicates a reversal of this trend and the directors have taken steps to grow additional revenues by FSA accreditation, thereby being qualified to operate in the regulated financial services marketplace

Continued growth in new clients and associated revenues is progressively reducing the reliance on any single customer It is envisaged that this will continue over the coming periods with a resulting strong mix of revenues across various campaigns and operational functions

Due to the high level of borrowings, the company is also exposed to movements in interest rates Although the rates ruling on the borrowings are low, they are variable and therefore the business is exposed to increases in the bank base rates

FUTURE PROSPECTS

The directors view the next 12 months with great optimism and are forecasting a significant turnaround in the financial performance of the business

The initiatives carried out during the previous period are paying dividends with a Business Development function generating continually increasing levels of new business, with 10 new client wins this year to date, and a constantly developing client pipeline The company workforce is closely aligned to business volumes and operating at increased efficiency rates, whilst rented warehouse space has reduced by 30% with an additional 20,000 square foot created within the remaining facility

In addition to new business volumes the company is seeing healthy organic growth with existing customers and has agreed contract extensions with its 4 largest clients The business is making improved use of its warehouse cubic capacity and has created additional Contact Centre accommodation ahead of anticipated additional business growth

In support of these improvements in the business, the shareholders have injected additional funds into the company and the financial strength of the business is sound As a result of the shareholders' continuing support the company can take a long term approach to planning and investment There remains a strong focus on building long term relationships with clients such that both parties can concentrate on the development of strategies to optimise the success for both companies

DIRECTORS' REPORT (continued)

FUTURE PROSPECTS (CONTINUED)

The directors and shareholders hold the view that as an e-commerce fulfilment provider of scale and with a positive reputation in its marketplace, there remains the opportunity (with a strong focus on efficient operation and effective matching of overall property commitments to client campaigns) to achieve sustainable profitability

The directors take the view that the performance and future prospects of the business completely support the recognition of the deferred tax asset We note the Auditors' qualifying comment but disagree, and fully expect to realise this asset within the next few months and over future accounting periods

RESULTS AND DIVIDENDS

The results for the year are shown in the profit and loss account on page 8 No dividends were paid or proposed during the year (2006 £nil) The loss after taxation for the financial year of £894,467 (2006 £1,192,747) has been withdrawn from reserves

DIRECTORS

The present membership of the Board is set out on page 1

The directors who served during the year and since were as follows

B Stiefel
P B Slee
N Lambert (Appointed 8 January 2007)

DIRECTORS' INDEMNITIES

The company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report

OTHER MATTERS

It is the intention of the major shareholder, Spark Holdings Limited, to provide the opportunity for company employees to have a significant interest in the business in due course

EMPLOYEES

The company has a policy of providing information about the company by regular meetings between management and employee representatives Employees are encouraged to present their suggestions and views on the company's performance through their representatives

The company's policy and practice is to encourage and assist the employment of disabled people, their recruitment, training, career development and promotion and the retention of employees who become disabled, having regard to their particular aptitudes and abilities The operation of this policy is reviewed regularly

CHARITABLE CONTRIBUTIONS

During the year the company made charitable donations of £2,129 (2006 £3,159) principally to local charities

DIRECTORS' REPORT (continued)

AUDIT INFORMATION

Each of the persons who is a director at the date of approval of this report confirms that

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware,
- each director has taken all reasonable steps to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information

The information is given and should be interpreted in accordance with the provisions of section 234ZA of the Companies Act 1985

AUDITORS

A resolution to re-appoint Deloitte & Touche LLP as the company's auditor will be proposed at the forthcoming Annual General Meeting

Approved by the Board of Directors
and signed on behalf of the Board

P B Slee

Director

~~Date~~

30 April 2008

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) The financial statements are required by law to 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 estimates that are reasonable and prudent,
- state whether applicable accounting standards have been followed, and
- 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 proper accounting records that 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 1985 They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

Approved by the Board of Directors
and signed on behalf of the Board

P B Slee

Director

Date:
30 April 2008

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SPARK RESPONSE LIMITED

We have audited the financial statements of Spark Response Limited for the year ended 30 June 2007 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet, the cash flow statement and the related notes 1 to 26 These financial statements have been prepared under the accounting policies set out therein

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985 Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and International Standards on Auditing (UK and Ireland)

We report to you our opinion as to whether the financial statements give a true and fair view, in accordance with the relevant financial reporting framework and are properly prepared in accordance with the Companies Act 1985 We report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements We also report if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding director's remuneration and other transactions is not disclosed

We read other information contained in the report for the above period, and consider whether it is consistent with the audited financial statements This other information comprises only the Directors' Report We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements Our responsibilities do not extend to any other information

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SPARK RESPONSE LIMITED (Continued)

Qualified opinion arising from disagreement about accounting treatment

The company has recognised a deferred tax asset of £1,940,311 during the year as a result of cumulative tax losses available to be carried forward against future taxable profits as at 30 June 2007 This is not in accordance with Financial Reporting Standard 19 "Deferred Tax" If no deferred tax asset had been recognised in accordance with that standard, the loss after taxation for the financial year and the deficit on reserves in the balance sheet would have been increased by £1,940,311

Except for the failure to account for deferred tax in the manner described above, in our opinion

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs at 30 June 2007 and of its loss for the year then ended, and
- the financial statements have been properly prepared in accordance with the Companies Act 1985

In our opinion

- the information given in the Directors' Report is consistent with the financial statements

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
Newcastle upon Tyne, England

Date 30 April 2008

PROFIT AND LOSS ACCOUNT
Year ended 30 June 2007

	Note	2007 £	2006 £
TURNOVER	2	7,985,580	10,016,806
Cost of sales		(7,888,164)	(8,444,583)
Gross profit		97,416	1,572,223
Administrative expenses		(2,215,255)	(2,538,266)
Exceptional administrative expenses	4	(551,943)	(110,000)
Total administrative expenses		(2,767,198)	(2,648,266)
Other operating income	4	28,000	-
OPERATING LOSS	4	(2,641,782)	(1,076,043)
Interest payable and similar charges	5	(203,267)	(116,704)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(2,845,049)	(1,192,747)
Tax on loss on ordinary activities	6	1,950,582	-
LOSS AFTER TAXATION FOR THE FINANCIAL YEAR	17	(894,467)	(1,192,747)

All activities derive from continuing operations

There were no recognised gains or losses other than the loss for the current year and preceding financial year Accordingly, no separate statement of total recognised gains and losses is shown

BALANCE SHEET
30 June 2007

	Note	2007 £	2007 £	2006 £	2006 £
FIXED ASSETS					
Intangible assets	7		-		55,933
Tangible assets	8		874,638		935,751
			874,638		991,684
CURRENT ASSETS					
Stocks	10	4,875		27,838	
Debtors					
- due within one year	11	1,284,466		2,014,226	
- due after one year	11	1,940,311		-	
Cash at bank and in hand		136		1,026	
		3,229,788		2,043,090	
CREDITORS: amounts falling due within one year	12	(1,583,804)		(2,316,607)	
NET CURRENT ASSETS/(LIABILITIES)			1,645,984		(273,517)
TOTAL ASSETS LESS CURRENT LIABILITIES			2,520,622		718,167
CREDITORS· amounts falling due after more than one year	13		(6,284,000)		(3,755,444)
PROVISIONS FOR LIABILITIES AND CHARGES	15		(168,366)		-
NET LIABILITIES			(3,931,744)		(3,037,277)
CAPITAL AND RESERVES					
Called-up share capital	16		2,110,111		2,110,111
Share premium account	18		754,858		754,858
Profit and loss account	17		(6,796,713)		(5,902,246)
TOTAL EQUITY SHAREHOLDERS' DEFICIT	18		(3,931,744)		(3,037,277)

These financial statements were approved by the Board of Directors on 30 April 2008

Signed on behalf of the Board of Directors

P B Slee

Director

CASH FLOW STATEMENT
Year ended 30 June 2007

	Note	2007 £	2006 £
Net cash (outflow)/inflow from operating activities	19	(1,736,727)	19,478
Returns on investments and servicing of finance	21	(203,267)	(116,704)
Capital expenditure and financial investment	21	(544,805)	(312,341)
Taxation	21	10,271	-
Cash outflow before financing		(2,474,528)	(409,567)
Financing	21	2,499,193	243,208
Increase/(decrease) in cash		24,665	(166,359)

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 June 2007

1. ACCOUNTING POLICIES

A summary of the principal accounting policies, all of which have been applied consistently throughout the current and preceding year, is set out below

Accounting convention

The financial statements of the company are prepared under the historical cost convention and in accordance with applicable United Kingdom law and accounting standards

Consolidation

The company and its subsidiary comprise a medium sized group The company has taken advantage of the exemption granted under Section 248 of the Companies Act 1985 not to prepare group financial statements

The financial statements present information about the individual undertaking

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost or valuation, less estimated residual value based on prices prevailing at the date of acquisition or revaluation, of each asset evenly over its expected useful life, as follows

Office equipment	-	4 years
Motor vehicles	-	3 years
Plant and machinery	-	10 years
Computer equipment	-	2 - 5 years
Leasehold building improvements	-	Over the remaining term of the lease until 2016

Taxation

Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the rates and laws that have been enacted or substantively enacted by the balance sheet date

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered Deferred tax assets and liabilities are not discounted

Stocks

Stocks are stated at the lower of cost and net realisable value determined on a first in first out basis Cost includes all costs incurred in bringing each product to its present location and condition

Leases and hire purchase commitments

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the company, and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives The capital elements of future obligations under the leases and hire purchase contracts are included as liabilities in the balance sheet

The interest elements of the rental obligations are charged in the profit and loss account over the periods of the leases and hire purchase contracts and represent a constant proportion of the balance of capital repayments outstanding

Rentals applicable to operating leases where substantially all of the benefits and risk of ownership remain with the lessor are charged to the profit and loss account on a straight-line basis over the lease term

Turnover

Turnover, which is stated net of value added tax and trade discounts, represents the net amount invoiced to third parties in relation to services rendered

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 June 2007

1 ACCOUNTING POLICIES (continued)

Pensions

The company matches the employees' contributions to their personal pension schemes up to a maximum of 7% of their pensionable salary Contributions are charged to the profit and loss account as they become payable

Investments

Investments held as fixed assets are stated at cost less provision for impairment

Government grants

Government grants relating to tangible fixed assets are treated as deferred income and released to the profit and loss account over the expected useful lives of the assets concerned Other grants are credited to the profit and loss account as the related expenditure is incurred

2. TURNOVER

All turnover is derived in the United Kingdom from the company's principal activity

3. DIRECTORS AND EMPLOYEES

	2007	2006
	£	£
Directors' emoluments:		
Emoluments	153,028	99,520
Paid to third party in respect of director's services	48,000	120,000
	201,028	219,520

The emoluments, excluding pension contributions, of the highest paid director, were £111,970 (2006 £120,000) The number of directors in the pension scheme was 2 (2006 1) Contributions to the money purchase scheme in respect of these directors amounted to £7,625 (2006 £4,250) for the year

	2007	2006
	£	£
Staff costs:		
Wages and salaries	3,670,616	4,916,301
Social security costs	310,780	415,370
Pension costs	53,144	63,249
	4,034,540	5,394,920
	No.	**No.**
The weekly average number of employees during the year was made up as follows:		
Office and management	32	42
Direct labour	203	376
	235	418

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 June 2007

4. OPERATING LOSS

		2007 £	2006 £
Operating loss is stated after charging			
Fees payable to the company's auditors for the audit of the company's annual accounts		16,000	16,000
Depreciation of tangible assets	- owned assets	346,041	333,275
	- leased assets	81,947	84,199
Amortisation of intangible assets		12,500	5,208
Impairment of intangible assets		43,433	-
Operating lease rentals	- plant and machinery	200,546	217,907
	- other	1,019,077	767,497
Grants		28,000	-
Exceptional costs included in administrative expenses			
Bad debts		283,600	110,000
Dilapidation provisions		168,366	-
Social security surcharges		99,977	-

5 INTEREST PAYABLE AND SIMILAR CHARGES

	2007 £	2006 £
Bank loans and overdrafts	203,267	109,624
Hire purchase interest	-	7,080
	203,267	116,704

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 June 2007

6. TAX ON LOSS ON ORDINARY ACTIVITIES

i) Analysis of the tax charge on ordinary activities

	2007 £	2006 £
United Kingdom corporation tax at 30% based on the loss for the year	-	-
Adjustment in respect of prior years	10,271	-
Total current tax	10,271	-
Deferred tax		
Timing differences	691,076	-
Adjustments in respect of prior years	1,249,235	-
Total deferred tax	1,940,311	-
Total tax on loss on ordinary activities	1,950,582	-

ii) Factors affecting the tax charge for the current year

	2007 £	2006 £
Loss on ordinary activities before tax	(2,845,049)	(1,192,747)
Tax at 30% thereon	(853,515)	(357,824)
Effects of		
Expenses not deductible for tax purposes	23,845	68,120
Capital allowances less than depreciation	39,011	754
Tax losses not utilised	790,659	288,950
Prior period adjustments	10,271	-
Current tax charge for period	10,271	-

iii) Factors that may affect the future tax charge

At 30 June 2007 the company had estimated tax losses to carry forward of approximately £nil (2006 £3,883,000) A deferred tax asset has been recognised in respect of timing differences relating to the losses carried forward and accelerated capital allowances The amount of the asset not recognised is £nil (2006 £1,229,000)

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 June 2007

7. INTANGIBLE ASSETS

	Total £
Cost	
At 1 July 2006 and 30 June 2007	61,141
Amortisation	
At 1 July 2006	5,208
Charge for the year	12,500
Impairment provision	43,433
At 30 June 2007	61,141
Net book value	
At 30 June 2007	-
At 30 June 2006	55,933

8. TANGIBLE FIXED ASSETS

	Leasehold building improvements £	Office equipment £	Plant and machinery £	Computer equipment £	Motor vehicles £	Total £
Cost:						
At 1 July 2006	1,060,735	912,266	668,523	2,496,630	5,000	5,143,154
Additions	47,813	-	379,249	117,743	-	544,805
Disposals	(356,508)	-	(59,333)	(38,273)	-	(454,114)
At 30 June 2007	752,040	912,266	988,439	2,576,100	5,000	5,233,845
Accumulated depreciation:						
At 1 July 2006	828,495	829,583	359,961	2,188,670	694	4,207,403
Charge for the year	40,370	44,862	129,266	211,825	1,665	427,988
Disposals	(219,262)	-	(25,497)	(31,425)	-	(276,184)
At 30 June 2007	649,603	874,445	463,730	2,369,070	2,359	4,359,207
Net book value						
At 30 June 2007	102,437	37,821	524,709	207,030	2,641	874,638
At 30 June 2006	232,240	82,683	308,562	307,960	4,306	935,751

Included within plant and machinery and computer equipment are assets acquired under finance leases and hire purchase contracts with net book values of £8,659 (2006 £44,913) and £8,960 (2006 £54,653) respectively

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 June 2007

9. INVESTMENTS

	Loans to subsidiary undertaking £	Shares in subsidiary undertaking £	Total £
Cost			
At 1 July 2006 and 30 June 2007	430,001	372,776	802,777
Provisions for impairment			
At 1 July 2006 and 30 June 2007	(430,001)	(372,776)	(802,777)
Net book value at 30 June 2006 and 2007	-	-	-

Details of the subsidiary undertaking are as follows

	County of incorporation	Description of shares held	Activity	Proportion of nominal value of shares held by company
W Realisations Limited (formerly Woodgate Fulfilment Limited)	England	Ordinary £1 shares	Fulfilment services	100%

On 27 January 2006 the subsidiary entered into voluntary administration and was dissolved on 31 October 2007

10. STOCKS

	2007 £	2006 £
Finished goods	4,875	27,838

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 June 2007

11 DEBTORS

Amounts falling due within one year	2007 £	2006 £
Trade debtors	940,340	1,522,085
Called-up share capital not paid	-	13,500
Other debtors	46,892	158,278
Prepayments and accrued income	297,234	320,363
	1,284,466	2,014,226

Amounts falling due after one year	2007 £	2006 £
Deferred tax asset	1,940,311	-

	2007 £	2006 £
The deferred tax asset comprises		
Accelerated capital allowances	95,654	-
Tax losses available	1,844,657	-
	1,940,311	-

12 CREDITORS. AMOUNTS FALLING DUE WITHIN ONE YEAR

	2007 £	2006 £
Bank overdraft	26,389	51,944
Obligations under finance leases and hire purchase contracts	22,173	8,203
Trade creditors	716,260	363,767
Other taxes and social security costs	580,363	1,537,954
Other creditors	23,873	149,278
Accruals and deferred income	214,746	205,461
	1,583,804	2,316,607

The bank overdraft is secured by fixed and floating charges over the company's assets

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 June 2007

13. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2007	2006
	£	£
Bank loans	4,500,000	2,000,000
Obligations under finance leases and hire purchase contracts	-	14,777
Amount owed to parent undertaking	1,700,000	1,700,000
Other creditors	-	40,667
Accruals and deferred income	84,000	-
	6,284,000	3,755,444

The bank loans are secured by fixed and floating charges over the company's assets

14. BORROWINGS

	2007	2006
	£	£
Analysis of Debt:		
Bank loans	4,500,000	2,000,000
Obligations under finance leases and hire purchase contracts	22,173	22,980
Amount owed to parent undertaking	1,700,000	1,700,000
	6,222,173	3,722,980

	2007	2006
	£	£
The company's borrowings are repayable as follows:		
Bank loans		
Between two and five years	4,500,000	2,000,000
Wholly repayable within five years	4,500,000	2,000,000

The bank loans figure consists of four loans, owed to Investec Bank (Channel Islands) Limited ('Investec'), which bears interest at 0 5% above base The loan facility has been renewed and is not due for repayment until 2009

	2007	2006
	£	£
Amount owed to parent undertaking		
After five years	1,700,000	1,700,000
	1,700,000	1,700,000
Obligations under finance leases and hire purchase contracts		
The company's obligations are repayable as follows		
Within one year or on demand	22,173	8,203
In one to two years	-	14,777
Total net obligations	22,173	22,980

The finance lease and hire purchase agreements are secured by the related leased assets

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 June 2007

15. PROVISIONS FOR LIABILITIES AND CHARGES

	Dilapidations
	£
At 1 July 2006	-
Charge to profit and loss account	168,366
At 30 June 2007	168,366

The dilapidation provision relates to contractual obligations of the company on surrender of the property lease to reinstate the premises to the same state and condition as before occupancy including making good all damage caused by the removal The provision has been calculated based on schedules of dilapidations prepared externally and the timing and final amount payable is dependent on final agreement between the company and the landlord

16. CALLED UP SHARE CAPITAL

	2007	2006
	£	£
Authorised:		
1,000,000 ordinary 'A' shares of £1 each	1,000,000	1,000,000
2,000,000 ordinary shares of £1 each	2,000,000	2,000,000
	3,000,000	3,000,000
Called up, allotted and partly paid:		
111,110 ordinary 'A' shares of £1 each	111,110	111,110
1,999,001 ordinary shares of £1 each	1,999,001	1,999,001
	2,110,111	2,110,111

The shares rank pari passu other than if the 'A' shares are issued as part paid then they carry no voting rights, nor a right to a dividend

17. PROFIT AND LOSS ACCOUNT

	2007
	£
Balance brought forward	(5,902,246)
Loss for the financial year	(894,467)
Balance carried forward	(6,796,713)

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 June 2007

18. RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' DEFICIT

	Called up share capital £	Share premium account £	Profit and loss account £	Total 2007 £	Total 2006 £
Balance at 1 July	2,110,111	754,858	(5,902,246)	(3,037,277)	(1,844,530)
Loss for the financial year	-	-	(894,467)	(894,467)	(1,192,747)
Balance at 30 June	2,110,111	754,858	(6,796,713)	(3,931,744)	(3,037,277)

19. RECONCILIATION OF OPERATING LOSS TO NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES

	2007 £	2006 £
Operating loss	(2,463,852)	(1,076,043)
Depreciation charge	427,988	417,474
Amortisation charge and impairment	55,933	5,208
Decrease in stocks	22,963	3,756
Decrease in debtors	729,760	330,497
(Decrease)/increase in creditors	(677,885)	338,586
Increase in provisions	168,366	-
Net cash (outflow)/inflow from operating activities	(1,736,727)	19,478

20. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2007 £	2007 £	2006 £	2006 £
Increase/(decrease) in cash in the year	24,665		(166,359)	
Cash inflow from increase in debt and lease financing	(2,499,193)		(243,208)	
Change in net debt resulting from cash flows		(2,474,528)		(409,567)
Movement in net debt in the year		(2,474,528)		(409,567)
Net debt at 1 July		(3,773,898)		(3,364,331)
Net debt at 30 June		(6,248,426)		(3,773,898)

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 June 2007

21. GROSS CASH FLOWS

	2007 £	2006 £
Returns on investments and servicing of finance		
Interest element of finance lease rentals	-	(7,080)
Interest paid	(203,267)	(109,624)
	(203,267)	(116,704)
Capital expenditure and financial investment		
Purchase of intangible assets	-	(61,141)
Purchase of tangible fixed assets	(544,805)	(251,200)
	(544,805)	(312,341)
Taxation		
Corporation tax refund	10,271	-
Financing		
Proceeds from borrowings	2,500,000	250,000
Repayment of finance leases	(807)	(6,792)
	2,499,193	243,208

22 ANALYSIS OF CHANGES IN NET DEBT

	At 1 July 2006 £	Cash flow £	At 30 June 2007 £
Cash in hand, at bank and bank overdraft	(50,918)	24,665	(26,253)
		24,665	
Debt due after 1 year	(3,700,000)	(2,500,000)	(6,200,000)
Finance leases	(22,980)	807	(22,173)
		2,499,193	
	(3,773,898)	(2,474,528)	(6,248,426)

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 June 2007

23. COMMITMENTS UNDER OPERATING LEASES

At 30 June the company had annual commitments under non-cancellable operating leases as follows

	2007	2006
	£	£
Other		
Leases which expire		
Within one year	-	927
Between two and five years	200,546	217,907
	200,546	218,834
Land and buildings		
Leases which expire		
Between two and five years	321,000	165,000
After five years	698,077	602,497
	1,019,077	767,497

24. PENSION ARRANGEMENTS

The company operates a money purchase pension scheme for which the pension cost charge for the year amounted to £53,144 (2006 £63,249) The assets of the scheme are held separately from those of the company

Unpaid contributions at the year end totalling £15,866 (2006 £16,245) have been included as a creditor due within one year

25. RELATED PARTY TRANSACTIONS

At the year end, the balance owed to the parent company, Spark Holdings Limited, was £1,700,000 (2006 £1,700,000), as disclosed in note 14

Included in administration expenses a total of £48,000 relates to management fees paid to Carlyle Corporate Services Limited, a company in which the Chairman of Spark Response Limited is able to exercise significant influence over as the sole director and employee (2006 £120,000) There was no amount owed to Carlyle Corporate Services Limited within trade creditors at the year end (2006 £14,041)

26. ULTIMATE PARENT COMPANY

Spark Holdings Limited, a company incorporated in Jersey is the ultimate parent company and controlling party