

Registered number: 03703075

NATIVE DESIGN LTD

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019



NATIVE DESIGN LTD

COMPANY INFORMATION

Directors	M V Warren M A Hoggarth P J Warren
Registered number	03703075
Registered office	5 Garden Walk London EC2A 3EQ
Independent auditors	Haysmacintyre LLP 10 Queen Street Place London EC4R 1AG

NATIVE DESIGN LTD

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NATIVE DESIGN LTD

STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2019

Introduction

Native Design Ltd is a fully integrated design company working across both digital and physical disciplines. The Company's principal activity is consultancy across all industry sectors both in the UK and overseas. The Company works in close collaboration with Native Design LLC, based in San Francisco.

Business review

Throughout 2018/19, the company invested a lot of energy, time and materials into developing a new product. As a result of this initiative, compound growth for the business paused this year, whilst effort was spent getting the product off the ground. A separate entity has been spun out to fully exploit this new product and service.

Our company objective for the year, was to further diversify our client portfolio together with expanding our experience within the healthcare sector. We have achieved additional long-term projects within healthcare and have built upon our more recent client relationships. Together, this will enable further diversification in sectors and geographies moving forward.

Financial performance has stabilised, despite continued time and expense invested in internal R&D for our new venture described above.

We go into the new financial year with a clear focus on growth activities and a reinvigorated business strategy. Our efforts on winning innovative work across a variety of sectors remain paramount.

Principal risks and uncertainties

Economic Conditions

Ongoing uncertainty surrounding Brexit may continue to disrupt the UK economy and remains a potential threat to the Company's business activities moving forward, specifically in terms of attracting talent to the UK as well as making it potentially harder to win work from international clients.

Competition

The Company operates in a highly competitive market with most of the players being of a much larger scale. Being one of the few privately owned independent companies in the marketplace has its advantages but also requires from its management a greater effort in networking and client engagement.

Financial key performance indicators

The Company considers the key financial indicators to be turnover and profit before tax.

For the year ended 31 March 2019 the turnover was £9,308,281 (2018: £10,844,273) representing a 14% decrease in turnover from the prior year. Profit before tax for the year was £1,512,230 (2018: £1,466,698).

The fall in turnover has largely been due to the distraction developing the new product. Focusing back on our core business, we have achieved a decrease in administrative costs, which have facilitated an improved profit margin year-on-year. A continued drive in client engagement combined with positive project outcomes resulted in further opportunities in 2019 and moving forward.

Another key financial indicator that the business uses to monitor performance is the level of current assets. The Company maintains a high level of asset cover at all times to ensure the long-term financial stability of the Company and the cash position of the Company continues to be very strong.

NATIVE DESIGN LTD

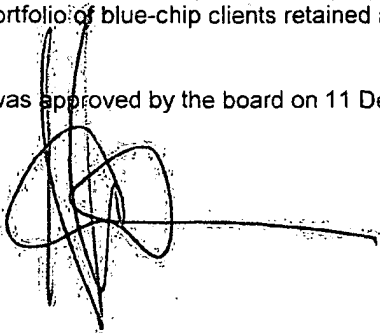
**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2019**

Other key performance indicators

The Group considers the ability to retain high quality clients a strong indicator of its performance. This was borne out by our portfolio of blue-chip clients retained and won during the year ended 31 March 2019.

This report was approved by the board on 11 December 2019 and signed on its behalf.

M V Warren
Director

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NATIVE DESIGN LTD

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2019

The directors present their report and the financial statements for the year ended 31 March 2019.

Directors' responsibilities statement

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 for the Company's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- 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 to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Results and dividends

The profit for the year, after taxation, amounted to £2,518,915 (2018 - £1,926,505).

There were dividends proposed and paid of £1,600,0000 (2018: £1,012,233) in the year.

Directors

The directors who served during the year were:

M V Warren
M A Hoggarth
P J Warren

Future developments

The Company plans to continue in the same course of business.

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**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2019**

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Post-balance sheet events

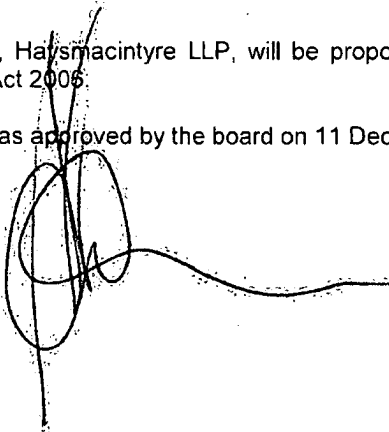
There have been no significant events affecting the Company since the year end.

Auditors

The auditors, Haysmacintyre LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 11 December 2019 and signed on its behalf.

M V Warren
Director

A handwritten signature in black ink, consisting of a large, stylized 'M' and 'W' intertwined, followed by a long horizontal line extending to the right.

NATIVE DESIGN LTD

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF NATIVE DESIGN LTD

Opinion

We have audited the financial statements of Native Design Ltd (the 'Company') for the year ended 31 March 2019, which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2019 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 Auditors' 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 United Kingdom, including the Financial Reporting Council'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 Auditors' 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

NATIVE DESIGN LTD

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF NATIVE DESIGN LTD (CONTINUED)

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.

Opinion on other matters prescribed by the Companies Act 2006

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

- the information given in the Strategic Report and 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 or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, 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 on page 3, 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.

NATIVE DESIGN LTD

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF NATIVE DESIGN LTD (CONTINUED)

Auditors' 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 Auditors' Report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditors' Report.

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 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.



Ian Cliffe (Senior Statutory Auditor)

for and on behalf of
Haysmacintyre LLP

Statutory Auditors

10 Queen Street Place
London
EC4R 1AG

11 December 2019

NATIVE DESIGN LTD

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2019**

	Note	2019 £	2018 £
Turnover	4	9,308,281	10,844,273
Cost of sales		(4,707,068)	(5,396,823)
Gross profit		4,601,213	5,447,450
Administrative expenses		(3,097,727)	(3,985,474)
Operating profit	5	1,503,486	1,461,976
Interest receivable and similar income	8	8,744	4,722
Profit before tax		1,512,230	1,466,698
Tax on profit	9	1,006,685	459,807
Profit for the financial year		2,518,915	1,926,505

There was no other comprehensive income for 2019 (2018:£NIL).

The notes on pages 11 to 21 form part of these financial statements.

NATIVE DESIGN LTD
REGISTERED NUMBER: 03703075

BALANCE SHEET
AS AT 31 MARCH 2019

	Note	2019 £	2018 £
Fixed assets			
Tangible assets	11	255,741	507,042
		<u>255,741</u>	<u>507,042</u>
Current assets			
Debtors	12	3,437,720	3,226,069
Cash at bank and in hand		2,807,431	2,915,388
		<u>6,245,151</u>	<u>6,141,457</u>
Creditors: amounts falling due within one year	13	(682,863)	(1,749,385)
Net current assets		<u>5,562,288</u>	<u>4,392,072</u>
Total assets less current liabilities		<u>5,818,029</u>	<u>4,899,114</u>
Net assets		<u>5,818,029</u>	<u>4,899,114</u>
Capital and reserves			
Called up share capital	15	153	153
Profit and loss account	16	5,817,876	4,898,961
		<u>5,818,029</u>	<u>4,899,114</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 11 December 2019.

M V Warren
Director

The notes on pages 11 to 21 form part of these financial statements.

NATIVE DESIGN LTD

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2019**

	Called up share capital £	Profit and loss account £	Total equity £
At 1 April 2017	153	3,984,689	3,984,842
Profit for the year	-	1,926,505	1,926,505
Dividends	-	(1,012,233)	(1,012,233)
At 1 April 2018	153	4,898,961	4,899,114
Profit for the year	-	2,518,915	2,518,915
Dividends	-	(1,600,000)	(1,600,000)
At 31 March 2019	153	5,817,876	5,818,029

The notes on pages 11 to 21 form part of these financial statements.

NATIVE DESIGN LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

1. General information

The Company is a private company limited by shares, registered in England and Wales. The address of the registered office and trading address is 5 Garden Walk, London, EC2A 3EQ. The Company's registration number is 03703075.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Financial reporting standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv);
- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 26 Share-based Payment paragraphs 26.18(b), 26.19 to 26.21 and 26.23;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Auralia Ltd as at 31 March 2019 and these financial statements may be obtained from Companies House.

NATIVE DESIGN LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

2. Accounting policies (continued)

2.3 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of Comprehensive Income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Statement of Comprehensive Income within 'other operating income'.

2.4 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. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

NATIVE DESIGN LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

2. Accounting policies (continued)

2.5 Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Company in independently administered funds.

2.6 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance Sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

2.7 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

NATIVE DESIGN LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

2. Accounting policies (continued)

2.7 Tangible fixed assets (continued)

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, on a straight line and reducing balance method.

Depreciation is provided on the following basis:

Short-term leasehold property	- 10% straight line
Plant and machinery	- 20% straight line
Motor vehicles	- 25% straight line
Office equipment	- 20-25% straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income.

2.8 Debtors

Short term debtors are measured at transaction price, less any impairment.

2.9 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.10 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

NATIVE DESIGN LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

3. Judgments in applying accounting policies and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported. These estimates and judgements are continually reviewed and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(i) Significant judgements

No critical accounting judgement was made by management in the process of applying the company's accounting policies that have a significant effect on amounts recognised in the financial statements.

(ii) Key sources of estimation uncertainty.

No critical sources of estimation uncertainty were made by management in the process of applying the company's accounting policies that have a significant effect on the amounts recognised in the financial statements, other than the following:

R&D tax credits have been accounted for on the accruals basis. Where the tax return has not been submitted at the time of preparing the financial statements, a provision is made for the expected R&D tax credit receivable.

4. Turnover

An analysis of turnover by class of business is as follows:

	2019 £	2018 £
Rendering of services	9,308,281	10,844,273
	<u>9,308,281</u>	<u>10,844,273</u>

Analysis of turnover by country of destination:

	2019 £	2018 £
United Kingdom	3,334,832	3,979,817
Rest of Europe	57,376	2,507,383
Rest of the World	5,916,073	4,357,073
	<u>9,308,281</u>	<u>10,844,273</u>

NATIVE DESIGN LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**

5. Operating profit

The operating profit is stated after charging/(crediting):

	2019 £	2018 £
Exchange differences	(9,731)	(1,207)
Depreciation	282,285	174,833
Auditors remuneration	14,200	12,600
Auditors non-audit remuneration	1,550	1,500
Operating lease payments	5,612	-
	<u>5,612</u>	<u>-</u>

6. Employees

Staff costs, including directors' remuneration, were as follows:

	2019 £	2018 £
Wages and salaries	3,743,787	4,688,719
Social security costs	462,355	657,801
Cost of defined contribution scheme	126,458	127,582
	<u>4,332,600</u>	<u>5,474,102</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2019 No.	2018 No.
Production Staff	42	52
Administrative Staff	14	19
	<u>56</u>	<u>71</u>

The Key Management Personnel are considered to be 2 (2018: 2) senior employees who are also directors. Total remuneration in respect of these employees was £528,631 (2018: £638,296).

NATIVE DESIGN LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

7. Directors' remuneration

	2019 £	2018 £
Directors' emoluments	581,867	619,816
Directors pension costs	72,586	60,750
	<u>654,453</u>	<u>680,566</u>

During the year retirement benefits were accruing to 3 directors (2018 - 3) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £439,397 (2018 - £477,346).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £61,000 (2018 - £57,950).

8. Interest receivable

	2019 £	2018 £
Other interest receivable	8,744	4,722
	<u>8,744</u>	<u>4,722</u>

9. Taxation

	2019 £	2018 £
Corporation tax		
Current tax on profits for the year	29,119	374,703
Adjustments in respect of previous periods	(1,049,301)	(763,747)
Total current tax	<u>(1,020,182)</u>	<u>(389,044)</u>
Deferred tax		
Origination and reversal of timing differences	13,497	(70,763)
Total deferred tax	<u>13,497</u>	<u>(70,763)</u>
Taxation on profit on ordinary activities	<u>(1,006,685)</u>	<u>(459,807)</u>

NATIVE DESIGN LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**

9. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2018 - lower than) the standard rate of corporation tax in the UK of 19% (2018 - 19%). The differences are explained below:

	2019 £	2018 £
Profit on ordinary activities before tax	1,512,230	1,466,698
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018 - 19%)	287,324	278,673
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	8,112	27,515
Capital allowances for year in excess of depreciation	2,393	42,182
Adjustments to tax charge in respect of R&D credits	(1,313,700)	(763,747)
Non-taxable income	9,186	(57,023)
Other differences leading to a movement in the tax charge	-	12,593
Total tax credit for the year	(1,006,685)	(459,807)

The adjustments in respect of R&D credits in 2018 and 2019 relate to R&D credits which were claimed for in the year/period after the R&D expenditure occurred.

Factors that may affect future tax charges

There were no factors that may affect future tax charges.

10. Dividends

	2019 £	2018 £
Dividends declared	1,600,000	1,012,233

NATIVE DESIGN LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**

11. Tangible fixed assets

	Plant and machinery £	Motor vehicles £	Office equipment £	Total £
Cost or valuation				
At 1 April 2018	139,918	90,525	902,848	1,133,291
Additions	14,917	-	20,771	35,688
Disposals	-	-	(17,916)	(17,916)
At 31 March 2019	154,835	90,525	905,703	1,151,063
Depreciation				
At 1 April 2018	44,985	24,517	556,747	626,249
Charge	24,116	22,631	235,538	282,285
Disposals	-	-	(13,212)	(13,212)
At 31 March 2019	69,101	47,148	779,073	895,322
Net book value				
At 31 March 2019	85,734	43,377	126,630	255,741
At 31 March 2018	94,933	66,008	346,101	507,042

12. Debtors

	2019 £	2018 £
Trade debtors	1,354,365	1,923,992
Amounts owed by group undertakings	515,879	-
Other debtors	1,401,241	1,002,996
Prepayments and accrued income	142,222	261,571
Deferred taxation	24,013	37,510
	<u>3,437,720</u>	<u>3,226,069</u>

NATIVE DESIGN LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**

13. Creditors: Amounts falling due within one year

	2019 £	2018 £
Trade creditors	84,091	117,339
Amounts owed to group undertakings	13,792	634,121
Other taxation and social security	208,359	344,997
Other creditors	15,536	25,904
Accruals and deferred income	361,085	627,024
	<u>682,863</u>	<u>1,749,385</u>

14. Deferred taxation

	2019 £
At beginning of year	37,510
Charged to profit or loss	(13,497)
At end of year	<u>24,013</u>

The deferred tax asset is made up as follows:

	2019 £	2018 £
Accelerated capital allowances	<u>24,013</u>	<u>37,510</u>
	<u>24,013</u>	<u>37,510</u>

15. Share capital

	2019 £	2018 £
Allotted, called up and fully paid		
10,000 (2018 - 10,000) Ordinary Shares shares of £0.0001- each	1	1
1,500,000 (2018 - 1,500,000) Ordinary 'A' Shares shares of £0.0001- each	150	150
16,522 (2018 - 16,500) Ordinary 'B' Shares shares of £0.0001- each	2	2
	<u>153</u>	<u>153</u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

16. Reserves

Profit and loss account

Called-up share capital – represents the nominal value of shares that have been issued.

Profit and loss account – this reserve records retained earnings and accumulated losses.

17. Commitments under operating leases

At 31 March 2019 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2019 £	2018 £
Not later than 1 year	5,613	-
Later than 1 year and not later than 5 years	19,644	-
	<u>25,257</u>	<u>-</u>

18. Related party transactions

Native Design Ltd entered into sales transactions totalling £324,389 (2018: £333,505) with Native Design LLC, a company in which Morten Warren is a director and shareholder. Native Design Ltd also charged Native Design LLC management charges totalling £279,585 (2017: £271,271) in the year. The year-end Other Debtors balance includes amounts due from Native Design LLC £714,416 (2018: £782,277).

Zuma Array Ltd and Zuma Array LLC are both companies controlled by Morten Warren who is a director of both entities. Zuma Array Limited is wholly owned by Zuma Array Holdings Limited and Morten Warren is the majority shareholder of Zuma Array Holdings Limited.

At the year-end, Other Debtors includes amounts due from Zuma Array Ltd £543,737 (2018: £nil) and Zuma Array LLC £11,725 (2018: £nil). These are in relation to expenses paid on behalf of the two companies, as well as cash advances made.

19. Controlling party

The immediate and ultimate parent company is Auralia Limited, a company registered in England and Wales.

The ultimate controlling party is the managing director M V Warren.

20. Pension Commitments

At 31 March 2019, Native Design Limited owed £15,537 (2018: £25,343) to a defined contribution pension scheme. This was subsequently paid post year-end.