REGISTERED NUMBER: SC170567 (Scotland)

# REPORT OF THE DIRECTORS AND

# FINANCIAL STATEMENTS

# FOR THE PERIOD 1 OCTOBER 2017 TO 31 DECEMBER 2018

# FOR

# WHITESPACE (SCOTLAND) LIMITED

# CONTENTS OF THE FINANCIAL STATEMENTS
# FOR THE PERIOD 1 OCTOBER 2017 TO 31 DECEMBER 2018

# WHITESPACE (SCOTLAND) LIMITED

## COMPANY INFORMATION
## FOR THE PERIOD 1 OCTOBER 2017 TO 31 DECEMBER 2018

| | |
|---|---|
| **DIRECTORS:** | A W Blease<br>P Lockwood-Holmes<br>J R Mathieson<br>Ms R S Mcdonald<br>I W Valentine |
| **SECRETARY:** | A J Moberly |
| **REGISTERED OFFICE:** | Norloch House<br>King's Stables Road<br>Edinburgh<br>EH1 2EU |
| **REGISTERED NUMBER:** | SC170567 (Scotland) |
| **AUDITORS:** | KPMG LLP Statutory Auditor<br>15 Canada Square<br>London<br>E14 5GL |

# REPORT OF THE DIRECTORS
# FOR THE PERIOD 1 OCTOBER 2017 TO 31 DECEMBER 2018

The directors present their report with the financial statements of the company for the period 1 October 2017 to 31 December 2018.

## REVIEW OF BUSINESS

The results for the year are set out on page 7. During the period, the Company made a profit before taxation of £404,466 (2017: £236,373). At the period end the Company had net assets of £915,702 (2017: £610,363).

2018 was an exciting and significant year in the history of Whitespace. Our work was recognised in national awards including the DADIs, The Drum Content Awards, Marketing Society Star Awards, Mage Titans and the City/Nation/Place Awards. We won Best Digital Design, Best Print Design and Design Agency of the Year at the inaugural Nods. We enjoyed a number of strong client wins including Glasgow Life, Morton Fraser and Wood Mackenzie.

Despite this new revenue, however, continued pressures on marketing budgets and increasing in-housing of our services resulted in our revenue only increasing to £319k/month compared to £317k/month in the last reporting period. As we had in 2017, we continued to tightly manage costs ensuring we delivered a 35% increase in profit/month before tax and a 34% increase in profit margin.

On 20 July 2018, we joined Dentsu Aegis Network North. With offices in Newcastle, Leeds and Manchester we now have access to a new client base into which we can introduce our creative and digital services. We have already experienced the growth potential of joining Dentsu Aegis Network and expect significant increases in revenue, PBT and margin in 2019

## DIRECTORS

The directors shown below have held office during the whole of the period from 1 October 2017 to the date of this report.

P Lockwood-Holmes
I W Valentine

Other changes in directors holding office are as follows:

A W Blease - appointed 20 July 2018
C T Davey - resigned 20 July 2018
Ms F Irvine - resigned 20 July 2018
O Jackson - resigned 20 July 2018
J R Mathieson - appointed 20 July 2018
Ms R S Mcdonald - appointed 20 July 2018
A J D Turnbull - resigned 20 July 2018

## GOING CONCERN

Our performance to date in 2019 has beaten our budgets, with growth in revenue, PBT and margin. This has been as a result of strong performance from existing clients, new client wins from within the Scottish market and via introductions from across the Dentsu Aegis Network. We have built up our largest ever level of reserves, a diverse client base (varied verticals across private, public and third sectors) with good projected revenues and our new business pipeline provides confidence in meeting our growth targets. We are currently in a period of geopolitical uncertainty and we expect some volatility in the economy ahead. We believe we are well-positioned to take advantage of any further reductions in marketing spend caused by economic pressures, providing cost-effective services to Dentsu Aegis Network's existing clients who currently work with larger and more expensive agencies.

## STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

## REPORT OF THE DIRECTORS
## FOR THE PERIOD 1 OCTOBER 2017 TO 31 DECEMBER 2018

**AUDITORS**
Chiene + Tate LLP resigned as auditors on 21 July 2018 and KPMG LLP was subsequently appointed. KPMG LLP has indicated a willingness to continue in office and a resolution for their reappointment as auditor will be proposed to the sole Member of the Company on the date of signing these accounts.

This report has been prepared in accordance with the provisions of Part 15 of the Companies Act 2006 relating to small companies.

**BY ORDER OF THE BOARD:**

........................................................................

Director A.W. BLEASE

Date: 17th December 2019

## DIRECTORS' RESPONSIBILITIES STATEMENT
## FOR THE PERIOD 1 OCTOBER 2017 TO 31 DECEMBER 2018

The directors are responsible for preparing 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 they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF WHITESPACE (SCOTLAND) LIMITED

**Opinion**
We have audited the financial statements of Whitespace (Scotland) Limited ("the Company") for the 15 month period ended 31 December 2018 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the period then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

**The impact of uncertainties due to the UK exiting the European Union on our audit**
Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, such as recoverability of investments and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the Company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

**Going concern**
The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the Company's business model, including the impact of Brexit, and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Company will continue in operation.

**Directors' report**
The directors are responsible for the directors' report. Our opinion on the financial statements does not cover this report and we do not express an audit opinion thereon.

Our responsibility is to read the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the directors' report;
- in our opinion the information given in that report for the financial period is consistent with the financial statements; and
- in our opinion that report has been prepared in accordance with the Companies Act 2006.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF WHITESPACE (SCOTLAND) LIMITED**

**Matters on which we are required to report by exception**
Under the Companies Act 2006 we are required 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; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemption from the requirements to prepare a Strategic report or in preparing the Report of the directors.

We have nothing to report in these respects.

**Directors' responsibilities**
As explained more fully in their statement set out on page 4, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

**Auditor's responsibilities**
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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

**The purpose of our audit work and to whom we owe our responsibilities**
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 auditor's 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.

Sarah Styant (Senior Statutory Auditor)
for and on behalf of KPMG LLP Statutory Auditor
15 Canada Square
London
E14 5GL

Date: 19/12/19

## STATEMENT OF COMPREHENSIVE INCOME
## FOR THE PERIOD 1 OCTOBER 2017 TO 31 DECEMBER 2018

| | Notes | Period 1.10.17 to 31.12.18 £ | Year Ended 30.9.17 £ |
|---|---|---|---|
| **TURNOVER*** | | **6,246,975** | 4,998,932 |
| **REVENUE** | 2 | **4,790,340** | 3,809,649 |
| Operating expenses | | **(4,520,325)** | (3,567,218) |
| | | **270,015** | 242,431 |
| Other operating income | 2 | **139,735** | 544 |
| **OPERATING PROFIT** | | **409,750** | 242,975 |
| Interest receivable and similar income | | **304** | 635 |
| Interest payable and similar expenses | 4 | **(5,588)** | (7,237) |
| **PROFIT BEFORE TAXATION** | 5 | **404,466** | 236,373 |
| Tax on profit | 6 | **(99,127)** | (5,637) |
| **PROFIT FOR THE FINANCIAL PERIOD** | | **305,339** | 230,736 |
| **OTHER COMPREHENSIVE INCOME** | | **-** | - |
| **TOTAL COMPREHENSIVE INCOME FOR THE PERIOD** | | **305,339** | 230,736 |

*Refer to Note 1 (Page 12) where "Turnover" is defined.

# BALANCE SHEET
## 31 DECEMBER 2018

| | Notes | 2018 £ | 2017 £ |
|---|---|---|---|
| **FIXED ASSETS** | | | |
| Tangible assets | 8 | **307,189** | 417,410 |
| **CURRENT ASSETS** | | | |
| Debtors | 9 | **1,393,626** | 853,690 |
| Cash at bank | | **266,387** | 145,948 |
| | | **1,660,013** | 999,638 |
| **CREDITORS** | | | |
| Amounts falling due within one year | 10 | **(991,292)** | (747,779) |
| **NET CURRENT ASSETS** | | **668,721** | 251,859 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **975,910** | 669,269 |
| **PROVISIONS FOR LIABILITIES** | 14 | **(60,208)** | (58,906) |
| **NET ASSETS** | | **915,702** | 610,363 |
| **CAPITAL AND RESERVES** | | | |
| Called up share capital | 15 | **14,130** | 14,130 |
| Share premium | | **12,000** | 12,000 |
| Capital redemption reserve | | **53,890** | 47,835 |
| Retained earnings | 16 | **835,682** | 536,398 |
| **SHAREHOLDERS' FUNDS** | | **915,702** | 610,363 |

The financial statements have been prepared in accordance with the provisions of Part 15 of the Companies Act 2006 relating to small companies.

The financial statements were approved by the Board of Directors on 17th December 2019 and were signed on its behalf by:

Director
A.W. BLEASE

The notes on pages 10 to 19 form part of these financial statements

## STATEMENT OF CHANGES IN EQUITY
## FOR THE PERIOD 1 OCTOBER 2017 TO 31 DECEMBER 2018

| | Called up share capital £ | Retained earnings £ | Share premium £ | Capital redemption reserve £ | Total equity £ |
|---|---|---|---|---|---|
| **Balance at 1 October 2016** | 18,165 | 806,664 | 12,000 | 47,835 | 884,664 |
| **Changes in equity** | | | | | |
| Profit for the year | - | 230,736 | - | - | 230,736 |
| Total comprehensive income | - | 230,736 | - | - | 230,736 |
| Issue of shares | 2,020 | - | 57,974 | - | 59,994 |
| Cancellation of shares | (6,055) | (435,971) | (57,974) | - | (500,000) |
| Dividends | - | (65,031) | - | - | (65,031) |
| **Balance at 30 September 2017** | 14,130 | 536,398 | 12,000 | 47,835 | 610,363 |
| **Changes in equity** | | | | | |
| Profit for the period | - | 305,339 | - | - | 305,339 |
| Total comprehensive income | - | 305,339 | - | - | 305,339 |
| Cancellation of shares adjustment | - | (6,055) | - | 6,055 | - |
| **Balance at 31 December 2018** | 14,130 | 835,682 | 12,000 | 53,890 | 915,702 |

The notes on pages 10 to 19 form part of these financial statements

## NOTES TO THE FINANCIAL STATEMENTS
## FOR THE PERIOD 1 OCTOBER 2017 TO 31 DECEMBER 2018

### 1. ACCOUNTING POLICIES

**Authorisation and statement of compliance with FRS 101**
These financial statements were prepared in accordance with Financial Reporting Standard 101 "Reduced Disclosure Framework" (FRS 101) and in accordance with applicable accounting standards.

The Company's financial statements are presented in pounds sterling.

**1.1 Basis of preparation**
The Company transitioned from FRS 102 to FRS 101 for all periods presented. No material adjustments related to the transition to FRS 101 were made by the Company in restating its balance sheet at 1 October 2016 prepared under FRS 102 for the year ended 30 September 2017. The details are disclosed in note 18. The accounting policies which follow set out those policies which apply in preparing the financial statements for the period ended 31 December 2018.

In addition the Company has applied the following new standards and amendments for the first time for the period commencing 1 October 2017:

IFRS 9 'Financial Instruments'
IFRS 15 'Revenue from Contracts with Customers'

**IFRS 9 'Financial instruments'**
IFRS 9 retains but simplifies the mixed measurement model for financial assets with classification being dependent on the entity's business model and the contractual cash flow characteristics of the financial asset. The incurred impairment loss model for financial assets used in IAS 39 has been replaced by a new expected credit loss model. For financial liabilities, there are minimal changes to classification and measurement requirements. Hedge accounting guidance under the standard changes hedge effectiveness requirements while allowing for more economic relationships to be designated as hedges.

The Company has elected to not restate prior periods on adoption of the classification, measurement and impairment requirements of IFRS 9, the same applies to the consequential amendments to IFRS 7 which have also only been applied prospectively. On adoption at 1 October 2017, the allowance for doubtful receivables has remained unaltered as a result of the change from the incurred loss model for financial assets to the expected credit loss model. There were no other material adjustments to the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9. The effect on the income statement for the period ended 31 December 2018 is £24,000.

**IFRS 15 'Revenue from Contracts with Customers'**
IFRS 15 introduces a five-step approach to the timing and measurement of revenue recognition based on performance obligations identified in contracts with customers. The timing of recognition of revenue, as well as presentational considerations, are now driven by the transfer of control of goods and services rather than the IAS 18 'Revenue' requirements related to risk and reward.

Under the new standard, the assessment of whether an entity acts as principal or agent is based on whether the entity controls goods or services before they are transferred to the customer. The standard identifies the following indicators to assist in the assessment of control: primary responsibility for contract fulfilment, inventory risk and pricing discretion. Where such goods and services are controlled by the entity before transfer, the entity is acting as principal and presents the revenue and costs in respect of the goods or services gross in the profit and loss account.

The Company has elected to use the cumulative effect method for transition to IFRS 15, however the cumulative effect on the timing and measurement of revenue as of the commencement date of the standard is not material. Comparative periods have not been adjusted.

At the date of these financial statements, the following standard was in issue but not yet effective:

**IFRS 16 'Leases'**
The Company will implement the new accounting standard IFRS 16 'Leases' effective 1 January 2019. The Company has not adopted this standard early. The new standard will replace existing lease guidance, including IAS 17, and sets out the principles for recognition and measurement of leases, mainly eliminating the distinction between operating and finance leases bringing commitments onto the balance sheet.

The application of the new standard will result in a portion of operating lease costs being recognised as interest expense. The Company is currently finalising the exact impact of the new standard.

The Company will apply the modified retrospective approach for the transition. This will result in the cumulative effect of adopting IFRS 16 being recognised in opening retained earnings with no restatement of comparative information.

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 101 "Reduced Disclosure Framework":

- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers;
- the requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of:
  - paragraph 79(a)(iv) of IAS 1; and
  - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
- the requirements of paragraphs 10(d), 10)(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D and 111 of IAS 1 Presentation of Financial Statements;
- the requirements of paragraphs 134 to 136 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- the requirements of paragraphs 17 and 18A of IAS 24 Related Party Disclosures;
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group;
- the requirements of paragraphs 134(d) to 134(f) and 135(c) to 135(e) of IAS 36 Impairments of Assets.

**1.2 Accounting estimates and uncertainties**
The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the year end date and the amounts reported for revenues and expenses during the year. However the nature of estimation means that actual outcomes could differ from those estimates. The following judgements have the most significant effect on amounts recognised in the financial statement.

**Revenue recognition**
Judgement is required in selecting the appropriate timing and amount of revenue recognised, particularly where the Company recognises variable consideration. Revenue is only recognised to the extent that it is not highly probable to result in significant reversal and, where there is a performance related element, to the extent to which the performance criteria have been met.

The likelihood of collection of trade receivables also requires judgement to be applied. The Company monitors the levels of provisioning required based on historical trends and by detailed review of individually significant balances.

**Deferred tax**
Judgement is required in the assessment of the expected timing and manner of realisation or settlement of the carrying amounts of assets and liabilities held at the balance sheet date. In particular the assessment of the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits.

**1.3 Significant accounting policies**

**Turnover**
Turnover represents gross amounts billable to clients, together with fees earned for projects, net of value added tax and other sales-related taxes.

**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.

**Tangible assets**
Tangible assets are initially recorded at cost, and subsequently stated at cost less any accumulated depreciation and impairment losses. Any tangible assets carried at revalued amounts are recorded at the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

**Depreciation**
Depreciation is calculated so as to write off the cost or valuation of an asset, less its residual value, over the useful economic life of that asset as follows:

Leasehold improvements - 10% - 33 1/3% Straight line
Fixtures & Fittings - 20% straight line
Office Equipment - 33% straight line

**Impairment of fixed assets**
A review for indicators of impairment is carried out at each reporting date, with the recoverable amount being estimated where such indicators exist. Where the carrying value exceeds the recoverable amount, the asset is impaired accordingly. Prior impairments are also reviewed for possible reversal at each reporting date.

For the purposes of impairment testing, when it is not possible to estimate the recoverable amount of an individual asset, an estimate is made of the recoverable amount of the cash-generating unit to which the asset belongs. The cash-generating unit is the smallest identifiable group of assets that includes the asset and generates cash inflows that largely independent of the cash inflows from other assets or groups of assets.

**Operating leases**
Lease payments are recognised as an expense over the lease term on a straight-line basis. The aggregate benefit of lease incentives is recognised as a reduction to expense over the lease term, on a straight-line basis.

**Finance leases and hire purchase contracts**
Assets held under finance leases and hire purchase contracts are recognised in the statement of financial position as assets and liabilities at the lower of the fair value of the assets and the present value of the minimum lease payments, which is determined at the inception of the lease term. Any initial direct costs of the lease are added to the amount recognised as an asset.

Lease payments are apportioned between the finance charges and reduction of the outstanding lease liability using the effective interest method. Finance charges are allocated to each period so as to produce a constant rate of interest on the remaining balance of the liability.

**Going concern**
The directors have reasonable expectation that the company has adequate resource to continue operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

**Provisions**
Provisions are recognised when the entity has an obligation at the reporting date as a result of a past event, it is probable that the entity will be required to transfer economic benefits in settlement and the amount of the obligation can be estimated reliably. Provisions are recognised as a liability in the statement of financial position and the amount of the provision as an expense.

Provisions are initially measured at the best estimate of the amount required to settle the obligation at the reporting date and subsequently reviewed at each reporting date and adjusted to reflect the current best estimate of the amount that would be required to settle the obligation. Any adjustments to the amounts previously recognised are recognised in profit or loss unless the provision was originally recognised as part of the cost of an asset.

**Financial instruments (From 1 October 2017)**
**Financial assets**

**Classification and measurement of financial assets**
All financial assets are initially measured at fair value. Management determines the classification and subsequent measurement of the financial asset based on the contractual terms at the initial recognition date. The classifications and subsequent measurement include the following:

**Classification as trade receivables**
Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method. Current trade receivables do not carry any interest charge. Interest may be charged on overdue balances.

**Impairment of financial assets**
The Company considers evidence of impairment for these assets at both an individual asset and a collective level at each reporting date. All individually significant assets are individually assessed for impairment. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified.

Additionally, the Company has Trade and Other Receivables that are subject to IFRS 9's new expected credit loss model. Therefore, the Company was required to amend its impairment methodology for Trade and Other Receivables.

The impact of the change in impairment methodology on the Company's retained earnings and equity is disclosed in consolidated statement of changes in equity.

While cash and cash equivalents and some of other financial assets (non-current and current) measured at amortised cost such as loan receivables are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade and other receivables. This resulted in an increase in the loss allowance on 1 October 2017 by £Nil.

**Defined contribution plans**
Contributions to defined contribution plans are recognised as an expense in the period in which the related service is provided. Prepaid contributions are recognised as an asset to the extent that the prepayment will lead to a reduction in future payments or a cash refund.

## 1. ACCOUNTING POLICIES - continued

### Taxation

The taxation expense represents the aggregate amount of current and deferred tax recognised in the reporting period. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, tax is recognised in other comprehensive income or directly in equity, respectively.

Current tax is recognised on taxable profit for the current and past periods. Current tax is measured at the amounts of tax expected to pay or recover using the tax rates and laws that have been enacted or substantively enacted at the reporting date.

Deferred taxation is provided on the liability method to take account of timing differences between the treatment for certain items for accounts purposes and the treatment for tax purposes. Tax deferred is accounted for in respect of all material timing differences. Deferred tax assets are only recognised to the extent that they are regarded as recoverable

## 2. REVENUE

**Revenue from contracts with customers**

**Disaggregation of revenue from contracts with customers**

The company derives revenue from the transfer of services in the following major geographical regions:

| | **Period 1.10.17 to 31.12.18** | Year Ended 30.9.17 |
|---|---|---|
| | **£** | £ |
| United Kingdom | **4,789,406** | 3,783,221 |
| Rest of the World | **934** | 26,428 |
| | **4,790,340** | 3,809,649 |

Contract asset balances recognised at 31 December 2018 are £Nil (as at 1 January 2018 £Nil)

Other operating income of £139,735 (2017: £544) relates to rental income received.

## 3. EMPLOYEES AND DIRECTORS

| | **Period 1.10.17 to 31.12.18** | Year Ended 30.9.17 |
|---|---|---|
| | **£** | £ |
| Wages and salaries | **2,691,094** | 2,199,356 |
| Social security costs | **274,878** | 224,655 |
| Other pension costs | **202,321** | 170,935 |
| | **3,168,293** | 2,594,946 |

## 3. EMPLOYEES AND DIRECTORS – continued

The average number of employees during the period was as follows:

| | Period 1.10.17 To 31.12.18 | Year Ended 30.9.17 |
|---|---|---|
| Management | **6** | 6 |
| Mcdia and administration | **61** | 67 |
| | **67** | 73 |

| | Period 1.10.17 to 31.12.18 £ | Year Ended 30.9.17 £ |
|---|---|---|
| Directors remuneration | **407,336** | 185,463 |
| Directors pension contributions to money purchase schemes | **58,920** | 28,450 |

Information regarding the highest paid director for the period ended 31 December 2018 is as follows:

| | Period 1.10.17 to 31.12.18 £ | Year Ended 30.9.17 £ |
|---|---|---|
| Emoluments | **112,142** | 71,738 |
| Pension contributions to a money purchase scheme | **17,109** | 10,681 |

## 4. INTEREST PAYABLE AND SIMILAR EXPENSES

| | Period 1.10.17 to 31.12.18 £ | Year Ended 30.9.17 £ |
|---|---|---|
| Loan | **647** | 2,324 |
| Hire purchase | **4,941** | 4,913 |
| | **5,588** | 7,237 |

## 5. PROFIT BEFORE TAXATION

The profit before taxation is stated after charging:

| | Period 1.10.17 to 31.12.18 £ | Year Ended 30.9.17 £ |
|---|---|---|
| Hire of plant and machinery | **12,615** | 12,364 |
| Other operating leases | **295,015** | 236,901 |
| Depreciation - owned assets | **118,348** | 113,035 |
| Auditors' remuneration | **20,000** | 3,700 |

## 6. TAXATION

**Analysis of tax expense**

| | Period 1.10.17 to 31.12.18 £ | Year Ended 30.9.17 £ |
|---|---|---|
| Current tax: | | |
| Tax | 123,825 | 1,837 |
| Deferred tax | (24,698) | 3,800 |
| Total tax expense in statement of comprehensive income | 99,127 | 5,637 |

## 7. DIVIDENDS

| | Period 1.10.17 to 31.12.18 £ | Year Ended 30.9.17 £ |
|---|---|---|
| Ordinary shares shares of £1 each | | |
| Interim | - | 65,031 |

## 8. TANGIBLE FIXED ASSETS

| | Leasehold improvements £ | Office equipment £ | Furniture & Fixtures £ | Totals £ |
|---|---|---|---|---|
| **COST** | | | | |
| At 1 October 2017 | 436,907 | 147,887 | 168,506 | 753,300 |
| Additions | - | 8,127 | - | 8,127 |
| Disposals | - | (29,234) | (441) | (29,675) |
| At 31 December 2018 | 436,907 | 126,780 | 168,065 | 731,752 |
| **DEPRECIATION** | | | | |
| At 1 October 2017 | 123,151 | 116,315 | 96,424 | 335,890 |
| Charge for period | 50,165 | 34,280 | 33,903 | 118,348 |
| Eliminated on disposal | - | (29,234) | (441) | (29,675) |
| At 31 December 2018 | 173,316 | 121,361 | 129,886 | 424,563 |
| **NET BOOK VALUE** | | | | |
| At 31 December 2018 | 263,591 | 5,419 | 38,179 | 307,189 |
| At 30 September 2017 | 313,756 | 31,572 | 72,082 | 417,410 |

**Finance leases and hire purchase contracts**
Included within the carrying value of tangible assets is £Nil (2017: £75,177) relating to assets held under finance leases or hire purchase agreements.

## 9. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 2018 | 2017 |
|---|---|---|
| | £ | £ |
| Trade debtors | 1,332,305 | 826,520 |
| Other debtors | 61,321 | 27,170 |
| | 1,393,626 | 853,690 |

## 10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 2018 | 2017 |
|---|---|---|
| | £ | £ |
| Bank loans and overdrafts (see note 11) | - | 54,179 |
| Finance leases (see note 11) | - | 62,419 |
| Trade creditors | 71,580 | 195,866 |
| Tax | 125,662 | 1,837 |
| Social security and other taxes | 54,715 | 59,058 |
| VAT | 174,628 | 115,581 |
| Other creditors | 201,044 | 14,112 |
| Accruals and deferred income | 363,663 | 244,727 |
| | 991,292 | 747,779 |

## 11. FINANCIAL LIABILITIES - BORROWINGS

| | 2018 | 2017 |
|---|---|---|
| | £ | £ |
| Current: | | |
| Bank overdrafts | - | 54,179 |
| Finance leases (see note 12) | - | 62,419 |
| | - | 116,598 |

## 12. LEASING AGREEMENTS

Minimum lease payments fall due as follows:

| | Finance leases | |
|---|---|---|
| | 2018 | 2017 |
| | £ | £ |
| Net obligations repayable: | | |
| Within one year | - | 62,419 |

| | Non-cancellable operating leases | |
|---|---|---|
| | 2018 | 2017 |
| | £ | £ |
| Within one year | 304,157 | 13,692 |
| Between one and five years | 1,177,578 | - |
| In more than five years | 402,975 | 2,197,500 |
| | 1,884,710 | 2,211,192 |

## 13. SECURED DEBTS

The following secured debts are included within creditors:

| | 2018 | 2017 |
|---|---|---|
| | £ | £ |
| Bank overdraft | - | 54,179 |
| Finance leases | - | 62,419 |
| | - | 116,598 |

## 14. PROVISIONS FOR LIABILITIES

| | 2018 | 2017 |
|---|---|---|
| | £ | £ |
| Deferred tax | 14,208 | 38,906 |
| Delapidations provision | 46,000 | 20,000 |
| | 60,208 | 58,906 |

| | Deferred tax | Other provisions |
|---|---|---|
| | £ | £ |
| Balance at 1 October 2017 | 38,906 | 20,000 |
| Provided during period | (24,698) | 26,000 |
| Balance at 31 December 2018 | 14,208 | 46,000 |

## 15. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

| Number: | Class: | Nominal value: | 2018 | 2017 |
|---|---|---|---|---|
| | | | £ | £ |
| 14,130 | Ordinary shares | £1 | 14,130 | 14,130 |

## 16. RESERVES

| | Retained earnings | Share premium | Capital redemption reserve | Totals |
|---|---|---|---|---|
| | £ | £ | £ | £ |
| At 1 October 2017 | 536,398 | 12,000 | 47,835 | 596,233 |
| Profit for the period | 305,339 | - | - | 305,339 |
| Cancellation of shares adjustment | (6,055) | - | 6,055 | - |
| At 31 December 2018 | 835,682 | 12,000 | 53,890 | 901,572 |

There was a presentational error in the prior period in relation to the cancellation of shares. This should have been reflected in the capital redemption reserve instead of retained earnings and has been corrected in the current period.

## 17. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

Whitespace (Scotland) Limited became a subsidiary of Dentsu Aegis London Limited, a company incorporated in Great Britain and registered in England and Wales, on 20 July 2018. The ultimate parent undertaking and controlling party is Dentsu Inc., a company incorporated in Tokyo and registered in Japan.

Dentsu Inc. is the parent undertaking of the largest group for which group financial statements are prepared and of which the Company is a member. Copies of Group financial statements can be obtained from: The Secretary, Dentsu Inc., 1-8-1 Higashi-shimbashi, Minato-ku, Tokyo 105 7001. The smallest group in which the results of the company are consolidated is the group headed by Dentsu Aegis Network Ltd.

## 18. TRANSITION TO FRS 101

For all periods up to and including the year ended 30 September 2016, the Company prepared its financial statements in accordance with previously extant United Kingdom generally accepted accounting practice (UK GAAP). At 1 October 2015 the Company transitioned to FRS 102 and the financial statements for the year ended 30 September 2017 were prepared in accordance with FRS 102. These financial statements for the period ended 31 December 2018 are the first the Company has prepared in accordance with FRS 101.

Accordingly, the Company has prepared financial statements which comply with FRS 101 applicable for periods beginning on or after 1 October 2016 and the significant accounting policies meeting those requirements are described in the relevant notes.

In preparing these financial statements, the Company has started from an opening balance sheet as at 1 October 2016, the Company's date of transition to FRS 101, and made those changes in accounting policies and other restatements required for the first-time adoption of FRS 101.

On transition to FRS 101, the Company has applied the requirements of paragraphs 6-33 IFRS 1 "First time adoption of International Financial Reporting Standards".

Exemptions applied under FRS 101 are listed in note 1.

No material adjustments were made by the Company in restating its balance sheet as at 1 October 2016 prepared under FRS 102 for the year ended 30 September 2017.