Report of the Directors and

Financial Statements

for the Year Ended 31 December 2019

for

Whitespace (Scotland) Limited

Contents of the Financial Statements
for the Year Ended 31 December 2019

Whitespace (Scotland) Limited

Company Information
for the Year Ended 31 December 2019

DIRECTORS:	A W Blease P Lockwood-Holmes J R Mathieson I Valentine J Morris D Romijn
REGISTERED OFFICE:	Norloch House King's Stables Road Edinburgh EH1 2EU
REGISTERED NUMBER:	SC170567 (Scotland)
AUDITORS:	KPMG LLP 15 Canada Square London E14 5GL

Report of the Directors
for the Year Ended 31 December 2019

The directors present their report with the financial statements of the company for the year ended 31 December 2019.

PRINCIPAL ACTIVITY
The principal activity of the company in the year under review was that of a creative agency.

REVIEW OF BUSINESS
After joining the Dentsu International Limited group on 20 July 2018, the company experienced the growth associated with being part of a larger network. This had an immediate impact on month-on-month performance and continued into 2019, with like-for-like increases in both revenue and operating profit (note that 2018 was a 15-month period of account).

Beyond our financial performance, excellent progress was made across the company's other business goals, with a 10-point improvement in our Net Promoter Score and a 7% increase in staff satisfaction.

Awards in 2019 included:

- Best press advert at The Nods for Morton Fraser LLP
- Silver at The Marketing Society Star Awards for Digital Strategy and International Marketing for #ScotlandIsNow
- A Scottish Design Award for an innovative Snapchat filter
- Gold at the CIPR Awards for our part in the No To Upsizing campaign for Food Standards Scotland
- Marketing Society Employer Brand of the Year

Covid-19 brings an unexpected challenge for 2020 and 2021, but one we are rising to as an agency, building stronger relationships with clients as well as internally. Our outlook is positive as we continue to benefit from having joined the Dentsu International Limited group, win new global clients and find ourselves well positioned to support clients with the digital transformation necessary for them to succeed in a post-Covid-19 world.

DIVIDENDS
No dividends will be distributed for the year ended 31 December 2019.

DIRECTORS
The directors who have held office during the period from 1 January 2019 to the date of this report are as follows:

A W Blease
P Lockwood-Holmes
J R Mathieson
R S McDonald (resigned 13 January 2021)
I Valentine
J Morris (appointed 13 January 2021)
D Romijn (appointed 13 January 2021)

Report of the Directors
for the Year Ended 31 December 2019 (continued)

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that they are obliged to take as a director in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

AUDITOR

KPMG LLP has indicated a willingness to continue in office, and a resolution for their reappointment as auditor will be proposed on the date of signing these accounts.

BY ORDER OF THE BOARD:

....
D Romijn
Director

Date: 22 April 2021

Directors' Responsibilities Statement
for the Year Ended 31 December 2019

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 year ended 31 December 2019 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 2019 and of its profit for the year 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.

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").

In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- We consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;

- We have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for the going concern period .

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 this report for the financial year is consistent with the financial statements; and
- in our opinion this report has been prepared in accordance with the Companies Act 2006.

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

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
15 Canada Square
London
E14 5GL

Date: 22 April 2021

Whitespace (Scotland) Limited (Registered number: SC170567)

Statement of Comprehensive Income for the Year Ended 31 December 2019

	Notes	Year Ended 31.12.19 £	Period 1.10.17 to 31.12.18 £
TURNOVER *	1.5	5,541,778	6,246,975
REVENUE	2	4,265,676	4,790,340
Operating expenses		(3,656,940)	(4,520,325)
Other operating income		155,564	139,735
OPERATING PROFIT		764,300	409,750
Interest receivable and similar income		5,540	304
Interest payable and similar expenses	4	(53,533)	(5,588)
PROFIT BEFORE TAXATION	5	716,307	404,466
Tax on profit	6	(145,116)	(99,127)
PROFIT FOR THE FINANCIAL YEAR		571,191	305,339
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		571,191	305,339

* Refer to note 1.5 Page 13 where turnover is defined

Whitespace (Scotland) Limited (Registered number: SC170567)

Balance Sheet
as at 31 December 2019

		2019		2018	
	Notes	£	£	£	£
FIXED ASSETS					
Tangible assets	7		1,750,196		307,189
CURRENT ASSETS					
Debtors	8	1,985,556		1,393,626	
Cash at bank		162,485		266,387	
		2,148,041		1,660,013	
CREDITORS					
Amounts falling due within one year	9	(1,126,771)		(991,292)	
NET CURRENT ASSETS			1,021,270		668,721
TOTAL ASSETS LESS CURRENT LIABILITIES			2,771,466		975,910
CREDITORS					
Amounts falling due after more than one year	10		(1,191,312)		-
PROVISIONS FOR LIABILITIES	13		(93,261)		(60,208)
NET ASSETS			1,486,893		915,702
CAPITAL AND RESERVES					
Called up share capital	14		14,130		14,130
Share premium	15		12,000		12,000
Capital redemption reserve	15		53,890		53,890
Retained earnings	15		1,406,873		835,682
SHAREHOLDERS' FUNDS			1,486,893		915,702

The financial statements were approved by the Board of Directors and authorised for issue on 22 April 2021 and were signed on its behalf by:

....
D Romijn
Director

Company registered number: SC170567

Whitespace (Scotland) Limited (Registered number: SC170567)

Statement of Changes in Equity for the Year Ended 31 December 2019

	Called up share capital £	Retained earnings £	Share premium £	Capital redemption reserve £	Total equity £
Balance at 1 October 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
Changes in equity					
Profit for the year	-	571,191	-	-	571,191
Total comprehensive income	-	571,191	-	-	571,191
Balance at 31 December 2019	14,130	1,406,873	12,000	53,890	1,486,893

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 has applied as explained further in note 1.2 new standards and amendments for the first time for the year commencing 1 January 2019.

Going Concern

The financial statements are prepared on a going concern basis, which the directors consider to be appropriate. The Company meets its day-to-day working capital requirements through its trading and the use of a cash pooling facility provided by the Dentsu International Limited group ("the Group"). The cash pooling facility is a Group facility which automatically includes any surplus cash generated by the Company and provides access to that cash upon request to enable the Company to pay its obligations as they fall due. The Company has assessed its cash flow forecasts for the period of not less than 12 months from the date of the approval of these financial statements, including a short-term decline in revenue growth and the measures the Company has undertaken to protect operating margins and preserve cash and is satisfied that the Company has sufficient cash, as long as it can continue to draw down on the funds it has deposited, and is forecast to deposit, within the cash pooling facility. The Company is therefore dependent on the Group to ensure that the cash pooling facility remains available.

The directors are satisfied that that the cash pooling facility will continue to be made available to the Company as they have considered the Group's forecasts, and projections used in the assessment of going concern which incorporate the Group Board of Directors' latest expectations of the impact of the global response to COVID-19 on business operations and results, including a short-term decline in revenue growth and the measures the Group has undertaken to protect operating margins and preserve cash. Significant one-off and non-operating expenditures have also been included related to existing and future acquisition activity and restructuring programmes announced in 2019. The forecasts have been subjected to various downside scenarios representing further declines in revenues, reductions in margin and deterioration of net working capital.

As with any company (within the Group) providing and accessing its funds to/from the cash pool, the directors acknowledge that there can be no certainty that this facility will continue, although, at the date of approval of these financial statements, they have no reason to believe that this facility will not continue to be made available.

1.2 New standards adopted

The company has adopted the following IFRS standard in these financial statements:

IFRS 16: Leases. See note 1.5 below. This has been adopted using the modified retrospective method and as a result the comparatives have not been restated and are reported under IAS 17.

Change in significant accounting policies due to IFRS 16

The company has applied IFRS 16 using the modified retrospective approach, and therefore, the comparative information has not been restated and continues to be reported under IAS 17. Additionally, the disclosure requirements in IFRS 16 have not been generally applied to comparative information. The details of the significant changes and quantitative impact of the changes are set out below.

(a) Definition of a lease

Previously the company determined at contract inception whether an arrangement was or contained a lease under IFRIC 4: Determining whether an Arrangement contains a Lease. The Company now assesses whether a contract is or contains a lease based on the definition of a lease, as explained in note 1.3. On transition, for practical expediency, the Company elected to apply the IFRS 16 only to contracts that were previously identified as leases. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 January 2019. On transition, the company has reassessed all contracts to assess whether they contain a lease based upon this definition.

(b) As a lessee

The company previously classified leases as operating, or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the company. Under IFRS 16, the company recognises right-of-use assets and lease liabilities for most of these leases - i.e. these leases are on-balance sheet.

Leases classified as operating leases under IAS 17

On transition, for operating leases under IAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the company's incremental borrowing rate as at 1 January 2019. Right-of-use assets were measured as an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments: the company applied this approach to all leases.

The company has tested its right-of-use assets for impairment on the date of transition and has concluded that there is no indication that the right-of-use assets are impaired. In applying IFRS 16 to leases previously classified as operating leases under IAS 17, the company did not recognise right-of-use assets and liabilities for leases of low value assets (e.g. IT equipment). When measuring the lease liabilities for leases that were classified as operating leases, the company discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted-average rate applied is 3.52%.

The following table summarises the difference between the operating lease commitments disclosed under IAS 17 at 31 December 2018 in the company's financial statements and the lease liabilities recognised at 1 January 2019:

	1 January 2019 £
Operating lease commitments at 31 December 2018 as disclosed in the company's financial statements under IAS 17	1,867,975
(Less): short-term leases not recognised as a liability	-
Undiscounted lease payments	1,867,975
Discounted using the incremental borrowing rate at 1 January 2019	1,678,676
Lease liabilities recognised as at 1 January 2019	1,678,676

The company has applied IFRS 16 using the modified retrospective approach under which the right-of-use asset at 1 January 2019 is equal to the lease liability at that date.

Information about leases for which the company is a lessee is the following

Right-of-use assets

Right-of-use assets related to lease properties that do not meet the definition of investment properties but presented as tangible assets (note 7):

	Total
	£
Balance at 1 January 2019	-
Additions to right-of-use assets	1,678,676
Lease incentive liability	-
Depreciation charge for the year	(265,054)
Balance at 31 December 2019	1,413,622

Lease liabilities
The lease liabilities are secured by the related underlying assets. Future minimum lease payments at 31 December 2019 were as follows:

	Total
	£
Within 1 year	293,000
2 to 5 years	1,172,000
More than 5 years	109,975
Less: finance charge	(135,766)
	1,439,209

Amounts recognised in profit or loss

	Total
	£
Interest expenses on lease liabilities	53,533
Expenses relating to leases of low value	-
Depreciation expense on right-of-use assets	265,054
Profit and loss Impact 2019	318,587

2018 - Operating leases under IAS 17

Lease expense	295,015
Profit and loss Impact 2018	295,015

1.3 Disclosure exemptions
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 paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 Leases;
  the requirements of paragraph 58 of IFRS 16;
- 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.

1.4 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.

1.5 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:

Right of Use Assets - equally over the term of the lease
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.

Leases
Leases (policy applicable from 1 January 2019)

The Company has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17.
At the inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

As a lessee
At commencement or on modification of a contract that contains a lease component, along with one or more other lease or non-lease components, the Company accounts for each lease component separately from the non-lease components. The Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price and the aggregate stand-alone price of the non-lease components.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, plus an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise,
- lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and
- penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, or if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, to the extent that the right-of-use asset is reduced to nil, with any further adjustment required from the remeasurement being recorded in profit or loss.

The Company presents right-of-use assets that do not meet the definition of investment property in 'tangible assets' and lease liabilities in "lease liabilities" in the statement of financial position.

Short-term leases and leases of low-value assets
The Company has elected not to recognise right-of-use assets and lease liabilities for lease of low-value assets and short-term leases. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

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.

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
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**

Analysis of Revenue

	2019	2018
	£	£
United Kingdom	4,263,970	4,789,406
Rest of the World	1,706	934
	4,265,676	4,790,340

3. **EMPLOYEES AND DIRECTORS**

	Year Ended 31.12.19	Period 1.10.17 to 31.12.18
	£	£
Wages and salaries	2,412,533	2,691,094
Social security costs	250,311	274,878
Other pension costs	132,305	202,321
	2,795,149	3,168,293

3. EMPLOYEES AND DIRECTORS - continued

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

	Year Ended 31.12.19	Period 1.10.17 to 31.12.18
Management	2	6
Media and administration	70	61
	72	67

	Year Ended 31.12.19	Period 1.10.17 to 31.12.18
	£	£
Directors remuneration	179,908	407,336
Directors pension contributions to money purchase schemes	25,158	58,920

Information regarding the highest paid director for the period ended 31 December 2019 is as follows:

	Year Ended 31.12.19	Period 1.10.17 to 31.12.18
	£	£
Emoluments	90,000	112,142
Pension contributions to a money purchase scheme	6,750	17,109

4. INTEREST PAYABLE AND SIMILAR EXPENSES

	Year Ended 31.12.19	Period 1.10.17 to 31.12.18
	£	£
Loan	-	647
Interest charge for right of use asset	53,533	4,941
	53,533	5,588

5. PROFIT BEFORE TAXATION

The profit before taxation is stated after charging:

	Year Ended 31.12.19	Period 1.10.17 to 31.12.18
	£	£
Depreciation - owned assets	83,993	118,348
Depreciation – right of use assets	265,054	-
Auditors' remuneration	14,833	20,000

6. TAXATION

Analysis of tax expense

	Year Ended 31.12.19 £	Period 1.10.17 to 31.12.18 £
Current tax:		
Tax	136,063	123,825
Deferred tax:		
Accelerated capital allowances	13,613	(24,698)
Amounts in respect of other provisions	(4,560)	-
Total deferred tax	9,053	(24,698)
Total tax expense in statement of comprehensive income	145,116	99,127

Factors affecting the tax expense

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below.

	Year Ended 31.12.19 £	Period 1.10.17 to 31.12.18 £
Profit before income tax	716,307	404,466
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2018 - 19%)	136,098	76,849
Effects of:		
Expenses not deductible for tax purposes	1,392	24,400
Origination and reversal of timing differences	7,626	(2,122)
Tax expense	145,116	99,127

A reduction in the UK corporation tax rate from 19% to 17% (effective from 1 April 2020) was substantively enacted on 6th September 2016, and the UK deferred tax liability as at 31 December 2019 has been calculated based on this rate. In the 11 March 2020 Budget it was announced that the UK tax rate will remain at the current 19% and not reduce to 17% from 1 April 2020. This will have a consequential effect on the company's future tax charge.

7. TANGIBLE FIXED ASSETS

	Right of use Asset	Leasehold improvements	Office equipment	Furniture & Fixtures	Totals
	£	£	£	£	£
COST					
At 1 January 2019	-	436,907	126,780	168,065	731,752
Additions	1,678,676	-	102,266	11,112	1,792,054
At 31 December 2019	1,678,676	436,907	229,046	179,177	2,523,806
DEPRECIATION					
At 1 January 2019	-	173,316	121,361	129,886	424,563
Charge for year	265,054	40,133	17,583	26,277	349,047
At 31 December 2019	265,054	213,449	138,944	156,163	773,610
NET BOOK VALUE					
At 31 December 2019	1,413,622	223,458	90,102	23,014	1,750,196
At 31 December 2018	-	263,591	5,419	38,179	307,189

8. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2019	2018
	£	£
Trade debtors	719,775	1,332,305
Amounts owed by group undertakings	1,194,704	-
Prepayments and accrued income	71,077	61,321
	1,985,556	1,393,626

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2019	2018
	£	£
Leases (see note 11)	247,896	-
Trade creditors	55,807	71,580
Amounts owed to group undertakings	3,000	-
Tax	261,725	125,662
Social security and other taxes	62,164	54,715
VAT	110,385	174,628
Other creditors	57,381	201,044
Accruals and deferred income	328,413	363,663
	1,126,771	991,292

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

	2019	2018
	£	£
Leases (see note 11)	1,191,312	-

11. FINANCIAL LIABILITIES - BORROWINGS

	2019	2018
	£	£
Current:		
Leases (see note 12)	247,896	-
Non-current:		
Leases (see note 12)	1,191,312	-

Terms and debt repayment schedule

	1 year or less	1-2 years	2-5 years	More than 5 years	Totals
	£	£	£	£	£
Leases	247,896	256,622	825,347	109,343	1,439,208

12. LEASING

Operating Leases not capitalised

IFRS 16 (Leases) became mandatory on 1 January 2019, replacing IAS 17 (Leases). At that date Whitespace (Scotland) Limited held one, low-value operating lease. As such, the company availed of paragraph 6 of IFRS 16 and did not recognise a lease liability at that date. The company continued to account for operating leases under IAS 17.

At 31 December 2019, the Company had annual commitments under non-cancellable operating leases of £5,579 (31 December 2018, Non-cancellable operating lease of £16,736).

13. PROVISIONS FOR LIABILITIES

	2019	2018
	£	£
Deferred tax	23,261	14,208
Dilapidations provision	70,000	46,000
	93,261	60,208

	Deferred tax	Other provisions
	£	£
Balance at 1 January 2019	14,208	46,000
Movement during the year	9,053	24,000
Balance at 31 December 2019	23,261	70,000

14. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2019 £	2018 £
14,130	Ordinary shares	£1	14,130	14,130

15. RESERVES

	Retained earnings £	Share premium £	Capital redemption reserve £	Totals £
At 1 January 2019	835,682	12,000	53,890	901,572
Profit for the year	571,191	-	-	571,191
At 31 December 2019	1,406,873	12,000	53,890	1,472,763

16. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

Whitespace (Scotland) Limited is a wholly owned subsidiary of Dentsu London Limited, a company incorporated in Great Britain and registered in England and Wales. The ultimate parent undertaking and controlling party is Dentsu Group Inc., a company incorporated in Tokyo and registered in Japan.

Dentsu Group 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 Group 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 International Limited.

17. POST BALANCE SHEET EVENTS

COVID-19

On 11 March 2020 the World Health Organisation declared the spread of COVID-19 a global pandemic. Although a novel disease was identified in China in late 2019, the significant development and spread of COVID-19 and the subsequent international response did not take place until after the financial reporting date of 31 December 2019. As such, the Company has determined that these events are non-adjusting post-balance sheet events, and therefore these financial statements exclude the effects of the COVID-19 outbreak in their preparation.

Although amounts recognised in the financial statements are not adjusted to reflect non-adjusting events, IAS 10 'Events after the Reporting Period' requires entities to disclose an estimate of financial impact for material categories of non-adjusting events.

As at the date of signing these financial statements, the full duration and impact of the COVID-19 pandemic remains unclear. The Company has not incurred any material losses on receivables due to COVID-19, and no further information has been identified that suggests significant adjustments are currently required to forward-looking loss allowance assumptions applied as at 31 December 2019.