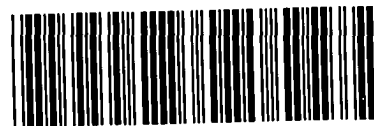


Gain Theory Limited
Annual report and financial statements
For the year ended 31 December 2021

Registered number: 01138157

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Gain Theory Limited
Company Registration No. 01138157

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Gain Theory Limited

Company Registration No. 01138157

Directors

Alan Bloodworth
Ralph Pepino
Manjiry Tamhane
Jon Webb

Company Secretary

Ralph Pepino
WPP Group (Nominees) Limited

Registered Office

Greater London House
Hampstead Road
London
NW1 7QP

Bankers

HSBC
275 Greenwich High Road
Greenwich
London
SE10 8NE

Auditor

Deloitte LLP
1 New Street Square
Statutory Auditor
London
EC4A 3HQ

Solicitors

Squire, Sanders & Dempsey (UK) LLP
7 Devonshire Square
London
EC2M 4YH

Gain Theory Limited

Company Registration No. 01138157

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

The Directors present their annual report and the audited financial statements of Gain Theory Limited (the 'Company') for the year ended 31 December 2021.

Principal activities

The Company is a member of the WPP plc group (the 'Group'). The principal activity of the Company is the supply of econometric and specialised marketing consultancy services to large multinational concerns.

Future developments

The Directors do not envisage any major change to the nature of the business in the foreseeable future.

Business review

Revenue has increased by 42% during the year, from £5,435,000 to £7,700,000. The Company made a loss for the year ended 31 December 2021 of £235,000 (2020: loss of £123,000).

From April 2021, following an update to Group policy, the Company's syndicated banking arrangements with the Group have been restructured into 'zero balancing' pooling arrangements with a fellow Group company acting as the cash pool leader of these cash pools within the UK. All such receivables and/or payables shall be short-term in nature and the Company, as a participant in the cash pooling arrangements, can transact as normal on its bank accounts, notwithstanding that any cash and/or overdraft will be held by the cash pool leader.

The Directors are of the opinion that the current level of activity and performance is sustainable, due to the robust financial position and liquidity of the Company and will remain so for the foreseeable future. Further details are provided in the "Going concern and liquidity risk" section.

Covid-19

The extent of the continued impact of the Covid-19 pandemic on our business will depend on numerous factors that we are not able to accurately predict, including the duration and scope of the pandemic, any existing or new variants, government actions to mitigate the effects of the pandemic and the intermediate and long-term impact of the pandemic on our clients' spending plans.

We are continuing to manage the risk by constantly monitoring our working capital position, supported by actions to maintain liquidity including cost reduction and cash conservation.

Dividends

The Company did not pay or declare a dividend in either the current year or prior year.

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Gain Theory Limited

Company Registration No. 01138157

STRATEGIC REPORT (Continued) FOR THE YEAR ENDED 31 DECEMBER 2021

Going concern and liquidity risk

The Directors have assessed the ongoing business activities and the potential impact that the Covid-19 pandemic, Russian invasion of Ukraine and general global economic conditions may have on the liquidity, performance and financial position of the Company for at least the next 12 months from the date of signing the financial statements.

In line with the Group approach, the Company's forecasts and projections take account of (i) reasonably possible declines in revenue less pass-through costs; and (ii) remote declines in revenue less pass-through costs for stress-testing purposes as a consequence of the Covid-19 pandemic compared to 2021. The impact of the Russian invasion of Ukraine and sanctions response from governments has been considered.

As at 31 December 2021, the Company has net current assets of £1,535,000 and net assets of £1,223,000 and can therefore meet its short- and long- term obligations as they fall due.

After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for at least the next 12 months from the date of signing the financial statements. Additionally, the Company is a subsidiary of WPP plc and is supported by the overall WPP plc financing arrangements via the cash pooling arrangements.

The Directors therefore continue to adopt the going concern basis of accounting in preparing the financial statements.

Financial risk management and principal risks and uncertainties

The Directors of the Company have considered the principal risks and uncertainties affecting the Company as at 31 December 2021 and up to date of this report. The principal risks for the Company are shown below:

Covid-19 pandemic

The extent of the continued impact of the Covid-19 pandemic on our business will depend on numerous factors that we are not able to accurately predict, including the duration and scope of the pandemic, any existing or new variants, government actions to mitigate the effects of the pandemic and the intermediate and long-term impact of the pandemic on our clients' spending plans.

We are continuing to manage the risk by constantly monitoring our working capital position, supported by actions to maintain liquidity including cost reduction and cash conservation.

Credit risk

Adverse economic conditions, including those caused by the pandemic, invasion of Ukraine by Russia, sustained inflation in key markets where we operate and supply chain issues affecting the distribution of our clients' products and/or disruption in credit markets pose a risk our clients may reduce, suspend or cancel spend with us or be unable to satisfy obligations. We are subject to credit risk through the default of a client or other counterparty.

Gain Theory Limited

Company Registration No. 01138157

STRATEGIC REPORT (Continued) FOR THE YEAR ENDED 31 DECEMBER 2021

Financial risk management and principal risks and uncertainties (continued)

Currency risk

The Company's activities expose it to the financial risks of changes in foreign exchange rates. Overall, the Company has minimal exposure to currency risks due to it mainly transacting in Pounds sterling. The Group's treasury function takes out contracts to manage the risk at a Group level.

Loss of clients

We compete for clients in a highly competitive industry which has been evolving and undergoing structural change, now accelerated by the Covid-19 pandemic.

There are a range of impacts on our clients globally as a consequence of the Covid-19 pandemic. In the past, clients have responded to weak economic and financial conditions by reducing or shifting their marketing budgets which are easier to reduce in the short term than their other operating expenses.

The Company manages the risk of client loss by placing an emphasis on providing faster, more agile and more effectively integrated solutions and continuously improving our creative capability and reputation of our business.

There is management focus on the importance of a positive and inclusive culture across our business to attract and retain talent and clients. There are regular updates to the management team on the status of client losses and upcoming pitches for new clients.

There is continuous engagement with our clients and suppliers through this period of uncertainty and reduction in economic activity.

Retention of talented staff

The Company recruits and aims to retain the most talented people by supporting them to expand their skills and capabilities.

Cyber security and IT staff

The Company is reliant on third parties for the performance of a significant portion of our worldwide information technology and operations functions. A failure to provide these functions could have an adverse effect on our business.

A cyber-attack could result in disruption to our business or compromise the security of data. With a majority of our people working remotely as a consequence of the Covid-19 pandemic, there is the potential of an increased risk of compromised data security and cyber-attacks. These could all have a legal, financial or reputational consequence on the Company.

The Company mitigates the risk of cyber security and IT breaches by adhering to strict information security protocol and by monitoring and logging our network and systems. We are also raising our people's security awareness through our training.

Gain Theory Limited

Company Registration No. 01138157

STRATEGIC REPORT (Continued) FOR THE YEAR ENDED 31 DECEMBER 2021

Financial key performance indicators

	2021	2020	Change
	£'000	£'000	%
Revenue	7,700	5,435	42%
Loss before taxation	(235)	(123)	(89%)
Net assets	1,223	1,457	(16%)

The Company's revenue has increased year-on-year to £7,700,000 compared to £5,435,000 in 2020. However, loss before taxation has increased from £123,000 in 2020 to £235,000 in 2021 due to an increase in administrative expenses, namely staff costs and establishment costs.

The Company is a wholly owned subsidiary of WPP plc. For this reason, the Company's Directors believe that further key performance indicators for the Company are not necessary or appropriate for an understanding of the development, performance or position of the business. The performance of WPP plc, which includes this Company, is discussed in the Group's annual report, which does not form part of this report. The financial statements of WPP plc are available at www.wpp.com/investors.

Directors' statement of compliance with duty to promote the success of the Company

The Directors of the Company, as those of all UK companies, must act in accordance with section 172 of the UK Companies Act 2006. The Directors are of the opinion that they have acted fairly and in good faith to promote the success of the Company for the benefits of its members.

The Directors' have carried out these duties and have made decisions and undertaken short and long-term strategies to maintain its financial performance and position. The Directors continue to recognise the importance of the Company's partnership with all stakeholders, including employees, members, suppliers, customers and the community, as well as maintaining its high standards of business conduct and reputation.

The Directors are of the opinion that the remaining details of how they meet their duty is in line with those reflected by the Directors of WPP plc in their Annual report. Refer to pages 113-115 of the Annual report of WPP plc available at wpp.com/investors for more information on how the Group directors meet their duty.

This report was approved by the board on 8 November 2022 and signed on its behalf.



Alan Bloodworth
Director

Greater London House, Hampstead Road,
London, NW1 7QP

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

The Directors present their report and the financial statements for the year ended 31 December 2021.

Results

The Company's results for the financial year are shown in the income statement on page 13.

Directors and their interests

The Directors who served during the year and up to the date of the signing of the financial statements were:

Alan Bloodworth
Ralph Pepino
Manjiry Tamhane
Jon Webb

No Director had, during the year or at the end of the year, any material interest in any contract of significance to the Company's business.

Directors' indemnity

Each of the Directors benefit from a third-party qualifying indemnity given by the Company in respect of liabilities incurred by the Director in the execution and discharge of their duties. The provision remains in force throughout the financial year and up until the date of this report.

Environmental matters

The Company will seek to minimise adverse impacts on the environment from its activities, whilst continuing to address health, safety and economic issues. The Company has complied with all applicable legislation and regulations. Refer to the Annual report of WPP plc available at wpp.com/investors for more information on the Group's disclosures in this regard.

Engagement with employees

The Company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Company. This is achieved through formal and informal meetings, briefings and thorough group and company communications. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

Our non-discrimination and anti-harassment policies are included in the Group Code of Conduct. Refer to pages 76-78 of the Annual report of WPP plc available at wpp.com/investors for more information.

Engagement with suppliers, customers and others

The Company recognises the importance of its continued partnerships with its wider stakeholders, including suppliers and customers, in delivering its business strategy and sustainability goals. The Company aims to have an open and transparent relationship which is based on honesty and respect. The Company engages in constant conversation with clients and suppliers on improving delivery of services and relationships.

A detailed statement on the Group's external stakeholder engagement can be found in the Group's Annual report.

Gain Theory Limited

Company Registration No. 01138157

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

Directors' responsibilities statement

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), 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 accounting 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping 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.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Matters covered in the Strategic Report

The following items have been included in the Strategic Report on pages 2-5:

- principal activities
- future developments;
- business review;
- dividends;
- going concern and liquidity risk; and
- financial risk management and principal risks and uncertainties.

Gain Theory Limited

Company Registration No. 01138157

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

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.

Auditor

Under section 487(2) of the Companies Act 2006, Deloitte LLP, Statutory Auditor will be deemed to have been reappointed as auditor 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the accounts with the registrar, whichever is earlier.

This report was approved by the board on 8 November 2022 and signed on its behalf.



Alan Bloodworth
Director

Greater London House, Hampstead Road,
London, NW1 7QP

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Gain Theory Limited

Company Registration No. 01138157

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GAIN THEORY LIMITED

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Gain Theory Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31st December 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the income statement;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 19.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

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 auditor's 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 UK, including the Financial Reporting Council's (the 'FRC'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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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.

Gain Theory Limited

Company Registration No. 01138157

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GAIN THEORY LIMITED (CONTINUED)

Other information (continued)

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. If, based on the 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, 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.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the company's industry and its control environment and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory framework that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act and relevant tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

Gain Theory Limited

Company Registration No. 01138157

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GAIN THEORY LIMITED (CONTINUED)

Extent to which the audit was considered capable of detecting irregularities, including fraud (continued)

As a result of performing the above, we identified the greatest potential for fraud in the following area, and our specific procedures performed to address that is described below:

- Revenue recognition: we have pinpointed this risk to the revenue recognition for open contracts at 31 December 2020 accounted for on a percentage-of-completion basis because of the management judgement required to estimate the proportion of the service performed and therefore the revenue to be recognised on these contracts at year end. Our audit procedures included selecting a sample of contracts with customers and for each selected item recalculating revenue recognised by obtaining estimated costs to complete from project managers and challenging the key underlying assumptions. We have also tested the mathematical accuracy of cost estimates and considered the historical accuracy of management's estimates in determining costs to complete.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

Report on other legal and regulatory requirements

Opinions 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.

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 any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters 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 respect of these matters.

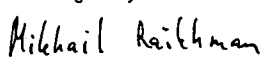
Gain Theory Limited

Company Registration No. 01138157

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GAIN THEORY LIMITED (CONTINUED)

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 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.

DocuSigned by:

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Mikhail Raikhman, CA (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

London, United Kingdom

8 November 2022

Gain Theory Limited

Company Registration No. 01138157

Income statement

Year ended 31 December 2021

	Notes	2021 £'000	2020 £'000
Revenue	4	7,700	5,435
Administrative expenses		(7,871)	(5,514)
Loss before interest and taxation	5	(171)	(79)
Finance costs	9	(69)	(44)
Interest income		5	-
Loss before taxation		(235)	(123)
Tax	10	-	-
Loss for the financial year		(235)	(123)

The results for 2021 and 2020 were derived entirely from continuing operations.

There are no gains or losses other than disclosed above in either year, and therefore no separate statement of comprehensive income has been presented.

Gain Theory Limited

Company Registration No. 01138157

Balance sheet

For the year ended 31 December 2021

	Notes	2021 £'000	2020 £'000
Fixed assets			
Right-of-use asset	11	277	1,101
Tangible assets	11	41	128
		<u>318</u>	<u>1,229</u>
Current assets			
Trade and other receivables	12	5,551	1,765
Cash		-	1,657
		<u>5,551</u>	<u>3,422</u>
Current liabilities			
Trade and other payables	13	(4,016)	(2,149)
		<u>1,535</u>	<u>1,273</u>
Total assets less current liabilities		<u>1,853</u>	<u>2,502</u>
Non-current lease liability and provisions	15	(630)	(1,046)
		<u>1,223</u>	<u>1,457</u>
Equity			
Share capital	14	203	203
Retained earnings		1,020	1,254
		<u>1,223</u>	<u>1,457</u>
Equity attributable to owners of the Company		<u>1,223</u>	<u>1,457</u>

The financial statements of Gain Theory Limited (registered number 01138157) were approved by the board of directors and authorised for issue on 8 November 2022.

They were signed on its behalf by:



Alan Bloodworth

Director

Gain Theory Limited

Company Registration No. 01138157

Statement of changes in equity

For the year ended 31 December 2021

	Share capital £'000	Retained earnings £'000	Total £'000
Balance at 1 January 2020	203	1,377	1,580
Loss and total comprehensive loss for the year	-	(123)	(123)
Balance at 31 December 2020	203	1,254	1,457
Loss and total comprehensive loss for the year	-	(233)	1
Balance at 31 December 2021	203	1,021	1,224

Gain Theory Limited

Company Registration No. 01138157

Notes to the financial statements

For the year ended 31 December 2021

1. General policies

Gain Theory Limited is a company incorporated in the United Kingdom under the Companies Act 2006. It is a private company, limited by shares, domiciled in the UK and registered in England and Wales. The address of the registered office is given on page 1. The nature of the Company's operations and its principal activities are set out in the Strategic Report on page 2.

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 101 'Reduced Disclosure Framework' and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Financial Reporting Standard 101 - reduced disclosure exemptions

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement
- 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
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 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 paragraph 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, provided that any subsidiary which is a party to the transaction is wholly owned by such a member
- the requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90,91 and 93 of IFRS 16 Leases.

Gain Theory Limited

Company Registration No. 01138157

Notes to the financial statements

For the year ended 31 December 2021

2. Accounting policies (continued)

2.3 Going concern

The Directors have assessed the ongoing business activities and the potential impact that the Covid-19 pandemic, Russian invasion of Ukraine and general global economic conditions may have on the liquidity, performance and financial position of the Company for at least the next 12 months.

In line with the Group approach, the Company's forecasts and projections take account of (i) reasonably possible declines in revenue less pass-through costs; and (ii) remote declines in revenue less pass-through costs for stress-testing purposes as a consequence of the Covid-19 pandemic compared to 2021. The impact of the Russian invasion of Ukraine and sanctions response from governments has been considered.

As at 31 December 2021, the Company has net current assets of £1,535,000 and net assets of £1,223,000 and can therefore meet its short- and long- term obligations as they fall due.

After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for at least the next 12 months from the date of signing the financial statements. Additionally, the Company is a subsidiary of WPP plc and is supported by the overall WPP plc financing arrangements via cash pooling arrangements.

The Directors therefore continue to adopt the going concern basis of accounting in preparing the financial statements.

2.4 Tangible fixed assets and depreciation

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method. The estimated useful lives range as follows:

Right-of-use assets	over the the life of the lease
Leasehold improvements	3 to 6 years on a straight-line basis
Computer equipment	3 years on a straight-line basis
Fixtures, fittings and equipment	4 years on a straight-line basis

2.5 Trade and other receivables

Short-term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

Trade and other receivables are carried at original invoice amount less any provisions for doubtful debts.

Provisions are made where there is evidence of a risk of non-payment, taking into account ageing, previous experience and general economic conditions. When a trade or other receivable is determined to be uncollectable it is written off, firstly against any provisions available and then to the income statement.

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

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Notes to the financial statements

For the year ended 31 December 2021

2. Accounting policies (continued)

2.5 Trade and other receivables (continued)

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Company has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

Subsequent recoveries of amounts previously provided for are credited to the income statement.

2.6 Cash

Cash includes deposits held at call with banks and cash in hand.

2.7 Leases

The Company's lease contracts include office premises and equipment.

At inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

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 based on 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, less any lease incentives received. The assets are depreciated over the lease term using the straight-line method. The lease term includes periods covered by an option to extend if the company is reasonably certain to exercise that option. Right-of-use assets are reviewed for indicators of impairment.

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. Lease payments included in the measurement of lease liabilities comprise fixed payments less any lease incentives receivable and variable lease payments that depend on an index or a rate as at the commencement date. Lease modifications result in remeasurement of the lease liability.

Depreciation is recognised in administrative expenses and interest expense is recognised under finance costs in the income statement.

2.8 Pension costs

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 profit or loss 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.

2.9 Foreign currency

The financial statements are presented in pounds sterling, which is the currency of the primary economic environment in which the Company operates (its functional currency).

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Notes to the financial statements

For the year ended 31 December 2021

2. Accounting policies (continued)

2.9 Foreign currency (continued)

Transactions in currencies other than the functional currency are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date or, if appropriate, at the forward contract rate.

2.10 Revenue

Revenue represents income recognised in respect of services provided during the year excluding value-added tax. Revenue is recognised when a performance obligation is satisfied, in accordance with the terms of the contractual arrangement. Typically, performance obligations are satisfied over time as services are rendered.

Revenue recognised over time is based on the proportion of the level of service performed. Either an input method or an output method, depending on the particular arrangement, is used to measure progress for each performance obligation. For most fee arrangements, costs incurred are used as an objective input measure of performance. The primary input of substantially all work performed under these arrangements is labour. There is normally a direct relationship between costs incurred and the proportion of the contract performed to date. In other circumstances relevant output measures, such as the achievement of any project milestones stipulated in the contract, are used to assess proportional performance.

Accrued income is a contract asset and is recognised when a performance obligation has been satisfied but has not yet been billed. Contract assets are transferred to receivables when the right to consideration is unconditional and billed per the terms of the contractual agreement. In certain cases, payments are received from customers or amounts are billed with an unconditional right to receive consideration prior to satisfaction of performance obligations and recognised as deferred income. These balances are considered contract liabilities and are typically related to prepayments for third-party expenses that are incurred shortly after billing.

2.11 Share capital

Ordinary shares are classified as equity.

2.12 Trade and other payables

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.13 Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date. The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

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Notes to the financial statements

For the year ended 31 December 2021

3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 1, the Directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

In the opinion of the Directors there are no critical accounting estimates or judgements that have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year.

4. Impact of new international reporting standards, amendments and interpretations

No new accounting standards or IFRIC interpretations have had a material impact on the Company's financial statements for the current year.

5. Revenue

	2021 £'000	2020 £'000
Geographical market		
UK	2,344	2,346
Europe	1,527	1,164
Rest of the World	3,829	1,925
	<u>7,700</u>	<u>5,435</u>

The revenue in the current and prior year is fully attributable to the provision of econometric and specialised marketing consultancy services.

6. Loss before interest and taxation

Loss before interest and taxation is stated after charging:

	2021 £'000	2020 £'000
Depreciation of tangible fixed assets	211	210
Staff costs	4,987	4,825
Exchange loss	26	41

Fees payable to Deloitte LLP and their associates for the audit of the Company's annual accounts were £18,231 (2020: £12,136). Fees payable to Deloitte LLP and their associates for non-audit services to the Company are not required to be disclosed because the consolidated financial statements of the parent company disclose such fees on a consolidated basis.

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Notes to the financial statements

For the year ended 31 December 2021

7. Staff costs

The average monthly number of employees (including executive directors) was:

	2021	2020
Production	61	66
	<u>61</u>	<u>66</u>

Their aggregate remuneration comprised:

	2021	2020
	£'000	£'000
Wages and salaries	3,893	3,979
Social security costs	516	584
Other pension costs (note 16)	271	262
	<u>4,680</u>	<u>4,825</u>

8. Directors' emoluments

	2021	2020
	£'000	£'000
Emoluments	930	739
Pension contributions	49	67
	<u>979</u>	<u>806</u>

During the year retirement benefits were accruing for 2 Directors (2020 - 3) in respect of defined contribution pension schemes.

The highest paid Director received remuneration of £492 thousand (2020 - £355 thousand), including the company's contributions paid to a defined contribution pension scheme of £ nil (2020 - £30 thousand).

One director received no remuneration in respect of his services to the Company in both years. A share-based payment of £95k to the highest paid Director made by WPP group in 2021 was not recorded as the Company's expense as it related to the services provided by the Director to the group as a whole.

9. Finance costs

The finance costs for the year, all arising from the interest charge on lease liabilities, are £69K (2020: £44k).

Gain Theory Limited

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Notes to the financial statements

For the year ended 31 December 2021

10. Taxation

The tax charge for the year is £nil (2020: £nil). The charge for the year can be reconciled to the loss before taxation in the income statement as follows:

	2021	2020
	£'000	£'000
Loss before taxation	(235)	(123)
Tax on loss at standard UK corporation tax rate of 19% (2020: 19%)	(45)	(23)
Factors affecting the charge in the year:		
Impact of tax rate change	(36)	-
Group relief surrendered	222	23
Recognition of previously unrecognised deferred tax asset	(173)	-
Non-deductible expenses	32	-
	<u> </u>	<u> </u>
Total tax charge	<u> </u>	<u> </u>

Factors that may affect future tax charges

The UK tax rate for the year ended 31 December 2021 was 19%. The increase in the UK corporation tax rate from 19% to 25% effective from 1 April 2023 was enacted at the balance sheet date, and deferred tax balances have been remeasured accordingly at 25% (2020: 19%).

Gain Theory Limited

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Notes to the financial statements

For the year ended 31 December 2021

11. Tangible fixed assets

	Right-of-use assets £'000	Leasehold improvements £'000	Computer equipment £'000	Furniture, fixtures and fittings £'000	Total £'000
Cost					
At 1 January 2021	1,405	206	605	553	2,769
Additions	-	-	26	-	26
Impairment	(1,128)	(206)	-	-	(1,334)
At 31 December 2021	<u>277</u>	<u>-</u>	<u>631</u>	<u>553</u>	<u>1,461</u>
Depreciation					
At 1 January 2021	304	133	552	551	1,540
Charge for the year	158	13	38	2	211
Impairment	(462)	(146)	-	-	(608)
At 31 December 2021	<u>-</u>	<u>-</u>	<u>590</u>	<u>553</u>	<u>1,143</u>
Net book value					
At 31 December 2021	<u>277</u>	<u>-</u>	<u>41</u>	<u>-</u>	<u>318</u>
At 31 December 2020	<u>1,101</u>	<u>73</u>	<u>53</u>	<u>2</u>	<u>1,229</u>

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Notes to the financial statements

For the year ended 31 December 2021

12. Trade and other receivables

	2021	2020
	£'000	£'000
Trade debtors	2,703	1,105
Amounts owed by group undertakings	2,433	561
Prepayments	120	84
Accrued income	295	21
Other	-	(6)
	<u>5,551</u>	<u>1,765</u>

Included within amounts owed by group undertakings is a balance of £1,973k which is an unsecured loan to a fellow group company in relation to the cash pooling arrangement (note 17) attracting an average interest rate of 0.35% per annum as at 31 December 2021.

All amounts owed by group undertakings are repayable on demand.

13. Trade and other payables

	2021	2020
	£'000	£'000
Trade creditors	431	41
Lease liability - current	235	190
Amounts owed to group undertakings	263	86
Taxation and social security	211	260
Accruals	715	124
Deferred income	2,161	1,448
	<u>4,016</u>	<u>2,149</u>

All amounts owed to group undertakings are unsecured, interest-free, have no fixed date of repayment and are repayable on demand.

The current and prior year deferred income balances have been recognised in revenue within the next 12 months.

14. Share capital

	2021	2020
	£'000	£'000
Authorised, allotted, called-up and fully paid		
203,000 ordinary shares of £1 each	<u>203</u>	<u>203</u>

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Notes to the financial statements

For the year ended 31 December 2021

15. Lease liabilities and provision

At the balance sheet date, the Company had outstanding commitments for future minimum lease payments under non-cancellable leases, relating to properties, which fall due as follows:

	2021 £'000	2020 £'000
Within one year	243	213
Between one and two years	548	1,116
Total	791	1,329
Effect of discounting	(37)	(93)
Lease liability at end of year	754	1,236
Current	235	190
Non-current	519	1,046

Non-current lease liability and provisions as at the balance sheet date comprised the following:

	2021 £'000	2020 £'000
Lease liability – non-current	519	1,046
Dilapidation provision	111	-
	<u>630</u>	<u>1,046</u>

The dilapidation provision relates to dilapidations costs for the leased buildings expected to be incurred at the end of the leases.

16. Pension commitments

The Company operates defined contribution retirement pension schemes for all qualifying employees. The assets of the schemes are held separately from those of the Company in funds under the control of trustees. Where there are employees who leave the schemes prior to vesting fully in the contributions, the contributions payable by the Company are reduced by the amount of forfeited contributions.

The total cost charged to the income statement of £270,805 (2020: £262,285) represents contributions payable to these schemes by the Company at rates specified in the rules of the schemes. There were no contributions prepaid or accrued as at 31 December 2021 (2020: £nil).

17. Cash pooling arrangements

From April 2021, following an update to Group policy, the Company's syndicated group banking arrangements with WPP Plc. have been restructured into 'zero balancing' pooling arrangements with a fellow group company acting as the cash pool leader of these cash pools within the UK. The Company, as a participant in the cash pooling arrangements, can transact as normal on its bank accounts, notwithstanding that any cash and/or overdraft are held by the cash pool leader.

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Notes to the financial statements

For the year ended 31 December 2021

18. Related parties

As a wholly owned subsidiary of the ultimate parent company, WPP plc, advantage has been taken of the exemption afforded by FRS 101 'Reduced Disclosure Framework' not to disclose any related party transactions with other wholly owned members of the Group, or certain information around remuneration of key management personnel.

19. Ultimate parent company and controlling party

The directors regard WPP Group Holdings Limited, a company incorporated in the United Kingdom, as the immediate parent company and WPP plc, a company incorporated in Jersey, as the ultimate parent company and the ultimate controlling party.

At the year end the parent undertaking of the largest group of undertakings for which group financial statements are drawn up and of which the Company is a member is WPP plc, 13 Castle Street, St Helier, Jersey, JE1 1ES. The parent undertaking of the smallest such group is WPP Jubilee Limited, Sea Containers House, 18 Upper Ground, London, SE1 9GL, a company registered in England and Wales. Copies of the consolidated financial statements of WPP plc are available at www.wpp.com/investors.