

**Gain Theory Limited**  
**Annual report and financial statements**  
**For the year ended 31 December 2020**

**Registered number: 01138157**



**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**

3 Waterhouse Square  
138 - 142 Holborn  
London  
EC1N 2SW

### **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 2020**

The Directors present their annual report and the audited financial statements of Gain Theory Limited (the 'Company') for the year ended 31 December 2020.

#### **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 decreased by 28% during the year, from £7,499,000 to £5,435,000. The Company made a loss for the year ended 31 December 2020 of £123,000.

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 coronavirus pandemic has touched all our lives. At WPP, and in the Company, our first priority remains the wellbeing of our people and doing what we can to limit the impact of the virus on society. The second priority has been the continuity of service for our clients. We have thrown ourselves into achieving both objectives.

Despite the negative impact of the pandemic on the financial performance of the Company during the year, the Company did not access any financial support measures made available by the UK and other governments.

The Directors will continue to monitor, review and take any appropriate steps to respond to the impact of the Covid-19 pandemic on the Company, as well as recognise and address the other current and emerging risks and uncertainties we face as a business.

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, government actions to mitigate the effects of the pandemic and the intermediate and long-term impact of the pandemic on our clients' spending plans.

#### **Dividends**

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

## **Gain Theory Limited**

**Company Registration No. 01138157**

### **STRATEGIC REPORT (Continued) FOR THE YEAR ENDED 31 DECEMBER 2020**

#### **Going concern and liquidity risk**

The Directors have assessed the ongoing business activities and the potential impact that the global outbreak of Covid-19 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 2020.

As at 31 December 2020, the Company has net cash of £1,657,000, net current assets of £1,201,000 and net assets of £1,274,000 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 and liquidity 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 2020 and up to date of this report. The principal risks for the Company are shown below:

##### *Covid-19 pandemic*

The coronavirus pandemic negatively impacted our business, revenues, results of operations, financial condition and prospects in 2020.

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, 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*

We are subject to credit risk through the default of a client or other counterparty.

We are working closely with our clients during this period of economic uncertainty to ensure timely payment of services in line with contractual commitments.

There are increased management processes to manage working capital and review cash outflows and receipts during the Covid-19 pandemic.

**Gain Theory Limited**  
Company Registration No. 01138157

**STRATEGIC REPORT (Continued)**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

**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 2020**

**Financial key performance indicators**

	2020	2019	Change
	£'000	£'000	%
Revenue	5,435	7,499	(28)%
(Loss)/profit before taxation	(123)	511	n/a
Net assets	1,457	1,641	(11)%

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](http://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 117-118 of the Annual report of WPP plc available at [wpp.com/investors](http://wpp.com/investors) for more information on how the Group directors meet their duty.

This report was approved by the board on 18<sup>th</sup> March, 2022 and signed on its behalf.

Alan Bloodworth  
Director



3 Waterhouse Square, 138 -142 Holborn,  
London EC1N 2SW

**Gain Theory Limited**  
Company Registration No. 01138157

**DIRECTORS' REPORT**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

The Directors present their report and the financial statements for the year ended 31 December 2020.

**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](http://wpp.com/investors) for more information on the Group's disclosures in this regard.

**Disabled employees**

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Company continues and that appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

**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 2020**

#### **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; 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.

#### **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.

#### **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.

**Gain Theory Limited**  
Company Registration No. 01138157

**DIRECTORS' REPORT (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

**Post balance sheet events**

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

**Auditors**

Deloitte LLP are deemed to be re-appointed in accordance with an elective resolution made under section 487 of the Companies Act 2006.

This report was approved by the board on 18<sup>th</sup> March, 2022 and signed on its behalf.

Alan Bloodworth  
Director



3 Waterhouse Square, 138 -142 Holborn,  
London EC1N 2SW

## **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 31<sup>st</sup> December 2020 and of its profit 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 17.

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](http://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, we have identified the potential for fraud in the following area, and our specific procedures performed to address it are 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.

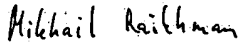
We have nothing to report in respect of these matters.

**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

18 March 2022

**Gain Theory Limited**

Company Registration No. 01138157

**Income statement**

Year ended 31 December 2020

	Notes	2020 £'000	2019 £'000
Revenue	4	5,435	7,499
Direct costs		-	(20)
Administrative expenses		(5,514)	(6,920)
<b>(Loss)/profit before interest and taxation</b>	5	(79)	559
Interest	8	(44)	(48)
<b>(Loss)/profit before taxation</b>		(123)	551
Tax	9	-	-
<b>(Loss)/profit for the financial year</b>		(123)	511

The results for 2020 and 2019 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 other comprehensive income has been presented.


**Gain Theory Limited**  
Company Registration No. 01138157

**Balance sheet**  
For the year ended 31 December 2020

	Notes	2020 £'000	2019 £'000
<b>Fixed assets</b>			
Right-of-use asset		1,101	1,166
Tangible assets	10	128	168
		<u>1,229</u>	<u>1,334</u>
<b>Current assets</b>			
Trade and other receivables	11	1,765	2,020
Cash at bank and in hand		1,657	1,942
		<u>3,422</u>	<u>3,962</u>
<b>Current liabilities</b>			
Trade and other payables	12	(2,149)	(2,689)
		<u>1,273</u>	<u>1,273</u>
<b>Net current assets</b>			
		<u>2,502</u>	<u>2,607</u>
<b>Total assets less current liabilities</b>			
		<u>1,457</u>	<u>1,641</u>
<b>Non-current lease liability</b>	14	(1,046)	(966)
		<u>1,457</u>	<u>1,641</u>
<b>Equity</b>			
Share capital	13	203	203
Retained earnings		1,254	1,438
		<u>1,457</u>	<u>1,641</u>
<b>Equity attributable to owners of the Company</b>		<u>1,457</u>	<u>1,641</u>

The financial statements of Gain Theory Limited (registered number 01138157) were approved by the board of directors and authorised for issue on 18<sup>th</sup> March, 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 2020

	Share capital £'000	Retained earnings £'000	Total £'000
<b>Balance at 1 January 2019</b>	203	927	1,130
Profit and total comprehensive income for the year	-	511	511
<b>Balance at 31 December 2019</b>	203	1,438	1,641
IFRS 16 adoption	-	(61)	(61)
<b>Balance at 1 January 2020</b>	203	1,377	1,580
Loss and total comprehensive loss for the year	-	(123)	(123)
<b>Balance at 31 December 2020</b>	203	1,254	1,457

## Gain Theory Limited

Company Registration No. 01138157

### Notes to the financial statements

For the year ended 31 December 2020

#### 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 accounting

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:

- 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 requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90,91 and 93 of IFRS 16 Leases

##### 2.2 Going concern

The Directors have assessed the ongoing business activities and the potential impact that the global outbreak of Covid-19 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 2020.

As at 31 December 2020, the Company has net current assets of 1,273,000 and net assets of £1,457,000 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 and liquidity arrangements.

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

##### 2.3 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:

## Gain Theory Limited

Company Registration No. 01138157

### Notes to the financial statements

For the year ended 31 December 2020

#### Accounting policies (continued)

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

#### 2.4 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.

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.

Long-term receivables are discounted where the effect is material.

#### 2.5 Cash at bank and in hand

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

#### 2.6 Leases

The Company leases its office in the city where it operates. Other lease contracts include office 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.

## **Gain Theory Limited**

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### **Notes to the financial statements**

**For the year ended 31 December 2020**

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

#### **2.7 Pension costs**

Pension costs represent contributions made to defined contribution pension schemes on behalf of certain directors and employees of the Company.

For defined contribution schemes the amount charged to the income statement in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

#### **2.8 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).

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.

#### **2.9 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.

Services provided but not billed at the balance sheet date have been recognised as revenue. Accrued income is included in the financial statements as a current asset (under trade and other receivables). Services which have been invoiced at the balance sheet date but not yet provided have not been recognised as revenue. Deferred income is included in the financial statements as a liability.

Share capital

Ordinary shares are classified as equity.

#### **2.10 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.

## Gain Theory Limited

Company Registration No. 01138157

### Notes to the financial statements

For the year ended 31 December 2020

#### Accounting policies (continued)

##### 2.11 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.

##### 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

	2020	2019
	£'000	£'000
Geographical market		
UK	2,346	2,767
Europe	1,164	1,665
Rest of the World	1,925	3,067
	<u>5,435</u>	<u>7,499</u>

The revenue and profit before interest and taxation are fully attributable to the principal activity of the Company, which is that of providing econometric and specialised marketing consultancy services to large multinational concerns.

**Gain Theory Limited**  
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**Notes to the financial statements**  
For the year ended 31 December 2020

**6. Profit before interest and taxation**

Profit before interest and taxation is stated after charging:

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Depreciation of tangible fixed assets	210	259
Staff costs	4,825	4,667
Exchange loss	41	59

Fees payable to Deloitte LLP and their associates for the audit of the Company's annual accounts were £12,136 (2019: £7,316). 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.

**7. Staff costs**

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

	<b>2020</b>	<b>2019</b>
Production	66	68
	<u>66</u>	<u>68</u>

Their aggregate remuneration comprised:

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Wages and salaries	3,979	3,820
Social security costs	584	591
Other pension costs (note 15)	262	256
	<u>4,825</u>	<u>4,667</u>

There were no share-based payment charges in the year.

**8. Directors' emoluments**

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Emoluments	739	808
Pension contributions	67	70
	<u>753</u>	<u>878</u>

## Gain Theory Limited

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### Notes to the financial statements

#### For the year ended 31 December 2020

During the year retirement benefits were accruing for 3 directors (2019 - 3 Director) in respect of defined contribution pension schemes.

The highest paid Director received remuneration of £325 thousand (2019 - £400 thousand).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid Director amounted to £30 thousand (2019 - £33 thousand).

#### 9. Interest

The interest charge for the year, all arising from IFRS 16, is £44K (2019: £48k).

#### 10. Tax on (loss)/profit

The tax charge for the year is £nil (2019: £nil). The charge for the year can be reconciled to the profit in the income statement as follows:

	2020 £'000	2019 £'000
(Loss)/profit before taxation	(123)	511
Tax on (loss)/profit at standard UK corporation tax rate of 19% (2019: 19%)	(23)	97
Group relief claimed	23	(97)
<b>Total tax charge</b>	<u>-</u>	<u>-</u>

#### Factors that may affect future tax charges

The UK tax rate for the year ended 31 December 2020 is 19%. The reversal of a planned reduction to 17% was enacted in 2020, and therefore the rate used for deferred tax balances for 2020 is 19% (2019: 17%).

In the UK Budget on 3 March 2021, the Chancellor of the Exchequer announced an increase in the UK corporation tax rate from 19% to 25%, which is due to be effective from 1 April 2023. This change was not substantively enacted at the balance sheet date and hence has not been reflected in the measurement of deferred tax balances at the period end.

**Gain Theory Limited**

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**Notes to the financial statements**

For the year ended 31 December 2020

**10. Tangible fixed assets**

	Right-of- use assets £'000	Leasehold improvements £'000	Computer equipment £'000	Furniture, fixtures and fittings £'000	Total £'000
<b>Cost</b>					
At 1 January 2020	1,321	206	585	553	2,665
Additions	84	-	20	-	104
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2020	1,405	206	605	553	2,769
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Depreciation</b>					
At 1 January 2020	155	116	511	549	1,331
Charge for the year	149	17	41	2	209
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2020	304	133	552	551	1,540
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Net book value</b>					
At 31 December 2020	1,101	73	53	2	1,229
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 December 2019	1,166	90	74	4	1,334
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**Gain Theory Limited**  
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**Notes to the financial statements**  
For the year ended 31 December 2020

**11. Trade and other receivables**

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Trade debtors	1,105	1,744
Amounts owed by fellow group undertakings	561	127
Prepayments	84	96
Accrued income	21	48
Other debtors	(6)	4
	<u>1,765</u>	<u>2,020</u>

All amounts owed by group undertakings are repayable on demand and do not accrue interest.

**12. Trade and other payables**

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Trade creditors	41	290
Lease liability - current	190	173
Amounts owed to group undertakings	86	103
Taxation and social security	260	328
Accruals	124	849
Deferred income	1,448	946
	<u>2,149</u>	<u>2,689</u>

All amounts owed to group undertakings are repayable on demand and do not accrue interest.

**13. Share capital**

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
<b>Authorised, allotted, called-up and fully paid</b>		
203,000 ordinary shares of £1 each	<u>203</u>	<u>203</u>

**Gain Theory Limited**

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**Notes to the financial statements**

For the year ended 31 December 2020

**14. Lease liabilities**

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:

	<b>2020</b> <b>£'000</b>
<b>Short-term</b>	
Year 1	190
	<hr/>
Total long-term	1,046
Total lease liabilities at 31 December	1,236

**15. Pension commitments**

The Company operates defined contribution retirement pension schemes for all 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 income of £262,285 (2019: £256,025) represents contributions payable to these schemes by the Company at rates specified in the rules of the schemes. There were no pension amounts prepaid or accrued as at 31 December 2020 (2019: £nil).

**16. Financial guarantees**

The Company participates in group banking arrangements with WPP plc, has access to a group cash management facility and guarantees it to the extent of its cash deposited in the UK with its clearing bank. The Company, together with its ultimate parent company, WPP plc, and certain other subsidiary undertakings, is party to the group's syndicated banking arrangements and has jointly guaranteed the borrowings under these arrangements. Details of these arrangements are included in the financial statements of WPP plc.

**17. Related parties**

The Company is a wholly owned subsidiary and therefore, in accordance with IAS 24, is exempt from the disclosure of information regarding related party transactions with its parent company and fellow wholly owned subsidiary undertakings. Details of the ultimate parent company are shown in note 18.