

Company Registration No. 04078556

Wavemaker Global Limited

Annual Report and Financial Statements

Year ended 31 December 2021



Wavemaker Global Limited

Company Registration No. 04078556

Annual report and financial statements Year ended 31 December 2021

Contents	Page
Officers and professional advisers	1
Strategic report	2
Directors' report	5
Statement of directors' responsibilities	7
Independent auditor's report	8
Income statement	11
Balance sheet	12
Statement of changes in equity	13
Notes to the financial statements	14

Wavemaker Global Limited

Company Registration No. 04078556

Annual report and financial statements Year ended 31 December 2021

Officers and professional advisers

Directors

A Altman
M Lock (Resigned 30 November 2022)
P Keeble

Registered office

Sea Containers House
18 Upper Ground
London
United Kingdom
SE1 9ET

Bankers

National Westminster Bank Plc
130 Commercial Road
Portsmouth
Hampshire
PO1 1EJ
United Kingdom

Auditor

Deloitte LLP
Statutory Auditor
2 New Street Square
London
EC4A 3BZ
United Kingdom

Solicitors

Squire Sanders (UK) LLP
7 Devonshire Square
Cutlers Gardens
London
EC2M 4YH
United Kingdom

Wavemaker Global Limited

Company Registration No. 04078556

Strategic report

Principal activities and business review

The strategic report for the year ended 31 December 2021 has been prepared in terms of Section 414 (C) of the Companies Act 2006.

The principal activities of the company relate to the planning and buying of media as well as performing a centralised role supporting and delivering strategic insight to the global Wavemaker network.

Business activity continues to be impacted by the global economy and a competitive marketplace. Billings have increased to £113,043,000 (2020: £85,076,000) with a revenue increase to £18,855,000 (2020: £12,907,000). The profit for the year is £7,092,000 (2020: loss for the year of £4,825,000).

The billing for 2022 was £126,511,000 and the forecasted billing for 2023 as at the date of signing these financial statements is £189,333,000 which shows continuous growth in business of the Company.

The company's position at the year-end is consistent with its centralised role to the wider Wavemaker network.

Future developments

The directors expect 2023 to continue to be a challenging year, driven by pressure on consumer spending which in turn impacts our clients' businesses although there are signs of improved trading conditions. The net revenue shows continuous growth in both 2022 and 2023 and the Company is expected to make profits for the foreseeable future.

Key performance indicators

The key financial performance indicators are as follows:

	2021	2020	Change
	£'000	£'000	%
Revenue	18,855	12,907	46%
Profit/(loss) before taxation	6,700	(4,766)	n/a
Net liabilities	(48,143)	(56,550)	15%

The WPP group manages its operations on a network basis. For this reason, the company's directors do not believe that further key performance indicators are necessary or appropriate for an understanding of the development, performance or position of the business. The performance of the GroupM global network of WPP plc, which includes the company, is discussed in the WPP group's annual report.

Principal risks and uncertainties

The principal risks faced by the company are loss of major international clients and margin pressure, borne out of competition for key global accounts. These risks are mitigated by actively pitching for new business, focusing on maintaining a diversified client base and delivering a value adding service.

Economic and 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 pose a risk our clients may reduce, suspend or cancel spend with us or be unable to satisfy obligations. The Company is subject to credit risk through the default of a client or other counterparty.

The Company commits to media and production purchases on behalf of some of our clients as principal or agent depending on the client and market circumstances. If a client is unable to pay sums due, media and production companies may look at us to pay those amounts and there could be an adverse effect on our working capital and operating cash flow.

Wavemaker Global Limited

Company Registration No. 04078556

Strategic report (continued)

The Company is working closely with our clients during this period of economic uncertainty to ensure timely payment of services in line with contractual commitments and with vendors to maintain the settlement flow on media.

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

Loss of clients

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

There is 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.

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 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.

Going concern

The company was profit-making in the year and in a net liability position at the year end as well as at the date when the financial statements were signed. The company is a subsidiary of WPP plc and is therefore subject to the overall WPP plc financing arrangements.

The directors, having assessed the company's financial position and responses of the directors of the company's ultimate parent to their enquiries, have a reasonable expectation that the company will be able to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Wavemaker Global Limited

Company Registration No. 04078556

Strategic report (continued)

Environmental matters and streamlined energy and carbon reporting (SECR)

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. As the Company is a UK subsidiary of WPP plc, its SECR reporting details are included, together with the other Group subsidiaries, in the WPP plc Annual report. Refer to pages 214-217 of the Annual report of WPP plc for the year ended 31 December 2021 available at wpp.com/investors for more information.

Directors' 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 maintaining the company's high standards of business conduct and reputation.

The directors are of the opinion that the remaining details of how they meet their duties is in line with those reflected by the directors of WPP plc in their annual report. Refer to pages 104-106 of the annual report of WPP plc for the year ended 31 December 2021 available at wpp.com for more information on how the WPP plc directors meet their duties.

Approved by the Board of Directors
and signed on behalf of the Board

Paul Keeble

Paul Keeble (Aug 8, 2023 15:56 GMT+1)

P Keeble
Director

8 August 2023

Wavemaker Global Limited

Company Registration No. 04078556

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2021.

Details of the following can be found in the strategic report on pages 2 - 4 and form part of this report by cross reference:

- Principal activities
- Future developments
- Going concern

Directors

The directors of the company who served throughout the year and up to the date of this report are listed below:

A Altman
M Lock (Resigned 30 November 2022)
P Keeble

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.

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.

Dividends

The directors do not recommend the payment of an ordinary or preference share dividend in 2021 (2020: £nil). Furthermore, the directors of WPP Group (UK) Limited agreed to permanently waive any entitlement to the preference dividend on the company's euro preference shares relating to the years ended 31 December 2021 and 2020. Accordingly, no preference share dividend in relation to 2021 is proposed or provided for (2020: £nil).

Financial risk management

The company is exposed to financial risk through its financial assets and liabilities. The key financial risk is that the proceeds from financial assets are not sufficient to fund obligations as they fall due. The most important components of financial risk are interest rate risk, currency risk, credit risk, liquidity risk, cash flow risk and price risk.

Due to the nature of the company's business and the assets and liabilities contained within the company's balance sheet, the only financial risks the directors consider relevant to this company are credit risk and currency risk. These risks are mitigated by regular monitoring throughout the year.

Credit risk

The company is subject to credit risk through the default of a client or other counterparty.

The company commits to media and production purchases on behalf of some of our clients as principal or agent depending on the client and market circumstances. If a client is unable to pay sums due, media and production companies may look at us to pay those amounts and there could be an adverse effect on our working capital and operating cash flow.

The company is working closely with our clients to ensure timely payment of services in line with contractual commitments and with vendors to maintain the settlement flow on media.

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

Wavemaker Global Limited

Company Registration No. 04078556

Directors' report

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 WPP group's treasury function takes out contracts to manage the risk at a group level.

Post balance sheet events

There have been no significant events affecting the company since the year end as at the date of signing.

Auditor

Each of the persons who is a director at the date of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of the relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of S418 of the Companies Act 2006.

A resolution to reappoint Deloitte LLP will be proposed at the forthcoming Annual General Meeting pursuant to s487 of the Companies Act 2006.

Approved by the Board of Directors
and signed on behalf of the Board

Paul Keeble

Paul Keeble (Aug 8, 2023 15:56 GMT+1)

P Keeble

Director

8 August 2023

Wavemaker Global Limited

Company Registration No. 04078556

Statement of directors' responsibilities

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 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.

Independent auditor's report to the members of Wavemaker Global Limited Company Registration No. 04078556

Independent auditor's report to the members of Wavemaker Global Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Wavemaker Global Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2021 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 18.

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.

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

Independent auditor's report to the members of Wavemaker Global Limited Company Registration No. 04078556

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 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.

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;

**Independent auditor's report to the members of
Wavemaker Global Limited
Company Registration No. 04078556**

- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management 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:

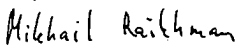
- adequate accounting records have not been kept, or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

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:



41E845A01ABB477...
Mikhail Raikhman, CA (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

London, United Kingdom

8 August 2023

Wavemaker Global Limited

Company Registration No. 04078556

Income statement For the year ended 31 December 2021

	Notes	2021 £'000	2020 £'000
Billings¹		113,043	85,076
Revenue	2	18,855	12,907
		<u>18,855</u>	<u>12,907</u>
Administrative expenses		(27,907)	(32,573)
Other operating income	3	16,700	15,830
		<u>16,700</u>	<u>15,830</u>
Operating profit / (loss)	4	7,648	(3,836)
Interest receivable and similar income	5	109	209
Interest payable and similar expenses	6	(1,057)	(1,139)
		<u>109</u>	<u>209</u>
		<u>(1,057)</u>	<u>(1,139)</u>
Profit / (loss) before taxation		6,700	(4,766)
Taxation	12	392	(59)
		<u>392</u>	<u>(59)</u>
Profit / (loss) for the financial year		<u>7,092</u>	<u>(4,825)</u>

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 other comprehensive income has been presented.

Notes:

1. Billings is a management alternative performance measure and comprises the gross amounts billed to clients in respect of commission-based/fee-based revenue together with the total of other fees earned.

Wavemaker Global Limited

Company Registration No. 04078556

Balance sheet

As at 31 December 2021

	Notes	2021 £'000	2020 £'000
Non-current assets			
Deferred tax assets	12	715	305
Current assets			
Debtors	13	48,535	48,621
Cash at bank and in hand		27,601	13,609
		<u>76,136</u>	<u>62,230</u>
Creditors: amounts falling due within one year	14	<u>(113,446)</u>	<u>(97,623)</u>
Net current liabilities		<u>(37,310)</u>	<u>(35,393)</u>
Total assets less current liabilities		<u>(36,595)</u>	<u>(35,088)</u>
Creditors: amounts falling due in more than one year	15	<u>(11,548)</u>	<u>(21,462)</u>
Net liabilities		<u>(48,143)</u>	<u>(56,550)</u>
Capital and reserves			
Called-up share capital	16	-	-
Other reserves		(10,871)	(10,871)
Retained earnings		<u>(37,272)</u>	<u>(45,679)</u>
Shareholders' deficit		<u>(48,143)</u>	<u>(56,550)</u>

These financial statements of Wavemaker Global Limited (Company Registration 04078556) were approved by the Board of Directors on 8 August 2023.

Signed on behalf of the Board of Directors

Paul Keeble

Paul Keeble (Aug 8, 2023 15:56 GMT+1)

P Keeble
Director

Wavemaker Global Limited

Company Registration No. 04078556

Statement of changes in equity For the year ended 31 December 2021

	Notes	Called-up share capital £'000	Other reserves £'000	Retained earnings £'000	Total £'000
Balance at 1 January 2020		-	(10,871)	(41,991)	(52,862)
Loss for the year		-	-	(4,825)	(4,825)
Total comprehensive loss for the year		-	-	(4,825)	(4,825)
Capital contribution for equity-settled share-based payments	10	-	-	1,137	1,137
Balance at 31 December 2020		-	(10,871)	(45,679)	(56,550)
Profit for the year		-	-	7,092	7,092
Total comprehensive income for the year		-	-	7,092	7,092
Capital contribution for equity-settled share-based payments	10	-	-	1,315	1,315
Balance at 31 December 2021		-	(10,871)	(37,272)	(48,143)

Wavemaker Global Limited

Company Registration No. 04078556

Notes to the financial statements (continued) Year ended 31 December 2021

1. Accounting policies

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards. The principal accounting policies, all of which have been applied consistently throughout the year and the preceding year, are described below.

Going concern

The company's activities, together with the factors likely to affect its future development, performance and position are set out in the strategic report and directors' report.

As at 31 December 2021 the company had a net current liability position of £37,310,000 and a net liability position of £48,143,000. As at 31 July 2023 the net liability position of the company is £44,298,000 which reflects an improved financial position.

The Company is a subsidiary of WPP plc and is therefore subject to the overall WPP plc financing arrangements.

The directors having assessed the company's financial position and the responses of the directors of the company's ultimate parent to their enquiries, have a reasonable expectation that the company will be able to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Basis of accounting

Wavemaker Global Limited is a private company limited by shares incorporated in the United Kingdom and registered in England under the Companies Act 2006. The address of the registered office is given on page 1. The nature of the company's operations is set out in Principal activities and business review on page 2.

The company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. These financial statements were prepared in accordance with FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Framework' as issued by the Financial Reporting Council.

The financial statements are prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards and law. The principal accounting policies adopted are set out below.

The functional and presentation currency of the company is pounds sterling because that is the currency of the primary economic environment in which the company operates.

These financial statements are separate financial statements. The group accounts of WPP plc are available to the public and can be obtained as set out in note 18.

As permitted by FRS 101, the company, as a qualifying entity, has taken advantage of the disclosure exemptions available under that standard in relation to share-based payment, financial instruments, presentation of a cash flow statement, standards not yet effective, and related party transactions. Where required, equivalent disclosures are given in the group accounts of WPP plc for the year ended 31 December 2021.

Wavemaker Global Limited

Company Registration No. 04078556

Notes to the financial statements (continued) Year ended 31 December 2021

1. Accounting policies (continued)

Impact of initial application of new and revised standards

No new accounting standards or IFRIC interpretations becoming effective in the year ended 31 December 2021 or in subsequent years have had a material impact on the company's financial statements for the current year.

Financial instruments

Financial assets and financial liabilities are recognised in the company's balance sheet when the company becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Trade receivables are stated net of provisions for bad and doubtful debts.

Revenue recognition

Revenue comprises commissions and fees earned in respect of amounts billed and is stated exclusive of VAT, sales taxes and trade discounts. Pass-through costs comprise fees paid to external suppliers when they are engaged to perform part or all of a specific project and are charged directly to clients, predominantly media costs. Costs to obtain a contract are typically expensed as incurred as the contracts are generally short-term in nature.

In most instances, promised services in a contract are not considered distinct or represent a series of services that are substantially the same with the same pattern of transfer to the customer and, as such, are accounted for as a single performance obligation.

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.

For our retainer arrangements, we have a stand-ready obligation to perform services on an ongoing basis over the life of the contract. The scope of these arrangements is broad and generally not reconcilable to any input or output criteria. In these instances, revenue is recognised using a time-based method resulting in straight-line revenue recognition.

The amount of revenue recognised depends on whether we act as an agent or as a principal. Most arrangements with our clients are such that our responsibility is to arrange for a third party to provide a specified good or service to the client. In these cases we are acting as an agent as we do not control the relevant good or service before it is transferred to the client. When we act as an agent, the revenue recorded is the net amount retained. Costs incurred with external suppliers (such as media suppliers) are excluded from revenue and recorded as accrued income until billed.

Taxation

Current UK corporation 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.

Deferred taxation is provided on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and laws. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Wavemaker Global Limited

Company Registration No. 04078556

Notes to the financial statements (continued) Year ended 31 December 2021

1. Accounting policies (continued)

Pension costs

Pension costs represent contributions made to defined contribution pension schemes on behalf of certain directors and employees of the company. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

The company participates in a group defined benefit scheme which is the legal responsibility of the ultimate parent as the sponsoring employer. There is no contractual agreement or stated policy for charging the net defined benefit cost to the participating entities, therefore the company recognises a cost equal to its contribution payable for the period, which is presented within administrative expenses in the profit and loss account.

Foreign currencies

Transactions denominated in foreign currencies are recorded at actual exchange rates at the date of the transaction. Any gain or loss subsequent to the date of the transaction is dealt with in the profit and loss account. Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange prevailing at the balance sheet date.

Share-based payments

Certain employees of the company benefit from equity-settled share-based payments through participation in stock option and restricted stock incentive schemes. Such awards are satisfied by the delivery of shares in WPP plc, the ultimate parent undertaking.

Equity-settled share-based payments are measured at fair value (excluding the impact of non-market based vesting conditions) at the date of grant. Fair value is determined by the market price on that date or the application of a Black-Scholes model, depending on the characteristics of the scheme concerned. For the years presented, the majority of the charge to the profit and loss account related to schemes where fair value equalled market price since the equity instrument had no restrictions that impact valuation. Market price on any given day is obtained from external, publicly available sources.

The fair value determined at the grant date is recognised in the profit and loss account as an expense on a straight-line basis over the relevant vesting period, based on the company's estimate of the number of shares that will ultimately vest and adjusted for the effect of any other non-market based vesting conditions.

Critical accounting judgments and key sources of estimation uncertainty

In the application of the company's accounting policies, 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 directors' opinion there were no critical accounting judgments applied or key sources of estimation uncertainty in the reporting year.

Wavemaker Global Limited

Company Registration No. 04078556

Notes to the financial statements (continued) Year ended 31 December 2021

2. Revenue

The activities of the company during the year were principally related to the provision of media planning, buying and research services in the United Kingdom.

3. Other operating income

	2021 £'000	2020 £'000
Recharge of head office costs to fellow group undertakings	<u>16,700</u>	<u>15,830</u>

Consists of recharge of head office costs, including mark-up, in line with the Group's transfer pricing policy.

4. Operating profit/(loss)

Operating profit / (loss) is stated after charging / (crediting):

	2021 £'000	2020 £'000
Foreign exchange (gain) / loss on revaluation of preference shares	(745)	673
Foreign exchange loss on revaluation of working capital	77	95
Auditor's remuneration - fees payable to the company's auditor for the audit of the company's annual accounts	<u>36</u>	<u>27</u>

5. Interest receivable and similar income

	2021 £'000	2020 £'000
Bank interest receivable	<u>109</u>	<u>209</u>
	<u>109</u>	<u>209</u>

Wavemaker Global Limited

Company Registration No. 04078556

Notes to the financial statements (continued) Year ended 31 December 2021

6. Interest payable and similar charges

	2021 £'000	2020 £'000
Interest on overdrafts payable	257	666
Group interest payable	800	473
	<u>1,057</u>	<u>1,139</u>

The company participates in group banking arrangements with its parent, WPP plc, and has access to a group cash management facility. The company guarantees the facility to the extent of the cash deposited in the UK with its clearing bank.

The company, together with WPP plc and certain other subsidiary undertakings of WPP plc, is party to the group's syndicated banking arrangements. The company has jointly and severally guaranteed the borrowings under these arrangements, details of which are included in the financial statements of WPP plc.

7. Staff costs

	2021 No.	2020 No.
The average monthly number of persons (including directors) employed by the company during the year was:	<u>210</u>	<u>217</u>
	2021 £'000	2020 £'000
Wages and salaries	18,165	15,977
Bonuses	538	1,774
Social security costs	1,985	2,043
Pension costs	1,063	670
	<u>21,751</u>	<u>20,464</u>

The above table excludes amounts relating to share-based payments, which are disclosed in note 9.

Wavemaker Global Limited

Company Registration No. 04078556

Notes to the financial statements (continued) Year ended 31 December 2021

8. Directors' remuneration

	2021 £'000	2020 £'000
Directors' remuneration		
Emoluments	620	606
Bonus payments	15	52
Company contributions to money purchase pension schemes	45	27
Shares and share options	75	46
	<u>755</u>	<u>731</u>

	No.	No.
The number of directors who:		
Are members of a money purchase pension scheme	3	3
Exercised options over shares in the company or its ultimate parent	2	2
Had awards receivable in the form of shares under a long-term incentive scheme	<u>2</u>	<u>2</u>

	2021 £'000	2020 £'000
Remuneration of the highest paid director:		
Emoluments	316	312
Bonus payments	11	38
Company contributions to money purchase pension schemes	18	12
Shares and share options	<u>48</u>	<u>31</u>

9. Pension costs

The amount charged in the profit and loss account for the year for pension costs of the company was £1,063,000 (2020: £670,000). Pension amounts of £111,924 were accrued as at 31 December 2021 (2020: £96,506).

10. Share-based payments

The company charged £1,315,000 to the profit and loss account in the year ended 31 December 2021 (2020: £1,137,000) in relation to equity-settled share-based payments.

Stock option plans

Certain employees participate in WPP plc stock option plans. However, the number and value of options are immaterial to the statutory accounts.

Restricted stock schemes

Certain employees participate in restricted stock schemes, which are in most cases satisfied by the delivery of stock from one of the WPP plc ESOP Trusts. The most significant schemes are:

Wavemaker Global Limited

Company Registration No. 04078556

Notes to the financial statements (continued) Year ended 31 December 2021

10. Share-based payments (continued)

Performance Share Awards (PSA)

Grants of stock under PSA are dependent upon annual performance targets, typically based on one or more of: operating profit, profit before taxation and operating margin. Grants are made in the year following the year of performance measurement, and will vest two years after grant provided the individual concerned is continually employed by a WPP company throughout this time.

Leaders, Partners and High Potential Group

Since 2005, restricted stock grants under this plan have effectively replaced executive stock options. Performance conditions include continued employment over a three-year vesting period.

Further details on the share based payment schemes are available in the financial statements of WPP plc.

Special Grants

Grants of stock under Special Grants are issued by WPP plc on an ad hoc basis. They can be issued as retention awards or special awards. The vesting period can vary across individual grants. The current vesting periods range from 9 months to 21 months.

Deferred Bonus

Grants issued under this plan are issued when senior employees elect to receive this share grant instead of a monetary annual bonus. The grants vest 4 years after they are granted.

Executive Performance Share Plan (EPSP)

The first grant of restricted stock under the EPSP was made in 2013. This scheme is intended to reward and incentivise the most senior executives of the Group and has effectively replaced LEAP (Leadership Equity Acquisition Plan, a long-term incentive plan used to grant awards until the end of 2012). The performance period is five complete financial years, commencing with the financial year in which the award is granted. Grant date will usually be in the first half of the first performance year, with vest date in the March following the end of the five year performance period. Vesting is conditional on continued employment throughout the vesting period.

There are three performance criteria, each constituting one third of the vesting value, and each measured over this five year period:

- (i) TSR against a comparator group of companies. Threshold performance (equating to ranking in the 50th percentile of the comparator group) will result in 20% vesting of the part of the award dependent on TSR. The maximum vest of 100% will arise if performance ranks in the 90th percentile, with a sliding scale of vesting for performance between threshold and maximum.
- (ii) Headline diluted earnings per share. Threshold performance (7% compound annual growth) will again result in a 20% vest. Maximum performance of 14% compound annual growth will give rise to a 100% vest, with a sliding vesting scale for performance between threshold and maximum.
- (iii) Return on equity (ROE). Average annual ROE defined as headline diluted EPS divided by the balance sheet value per share of share owners' equity. Threshold of 10% average annual ROE, maximum of 14%, with a sliding scale for performance in between. Threshold again gives rise to a 20% vest, with 100% for maximum.

Wavemaker Global Limited

Company Registration No. 04078556

Notes to the financial statements (continued) Year ended 31 December 2021

10. Share-based payments (continued)

Details of movements in share-based awards during the year are as follows:

	2021		2020	
	Number of share awards	Weighted average exercise price (£)	Number of share awards	Weighted average exercise price (£)
PSA				
Outstanding at beginning of the year	98,919		101,749	
Granted during the year	-		76,922	5.58
Vested / lapsed during the year	(25,713)		(79,752)	
Outstanding at the end of the year	<u>73,206</u>		<u>98,919</u>	
Leaders, Partners and High Potential Group				
Outstanding at beginning of the year	91,498		90,034	
Granted during the year	23,052	11.16	28,123	7.55
Vested / lapsed during the year	(33,865)		(26,659)	
Outstanding at the end of the year	<u>80,685</u>		<u>91,498</u>	
Special Grants Group				
Outstanding at beginning of the year	50,381		53,395	
Granted during the year	30,950	10.18	28,226	5.58
Vested during the year	(22,155)		(31,240)	
Outstanding at the end of the year	<u>59,176</u>		<u>50,381</u>	
DEF Bonus				
Outstanding at beginning of the year	10,943		8,495	
Granted during the year	-		2,448	5.58
Outstanding at the end of the year	<u>10,943</u>		<u>10,943</u>	
EPSP				
Outstanding at beginning of the year	225,471		83,790	
Granted during the year	113,624	9.30	141,681	7.55
Outstanding at the end of the year	<u>339,095</u>		<u>225,471</u>	

Wavemaker Global Limited

Company Registration No. 04078556

Notes to the financial statements (continued) Year ended 31 December 2021

11. Dividends

The directors do not recommend the payment of a dividend on ordinary shares in 2021 (2020: £nil).

The preference shares provide for a floating rate cumulative preferential dividend calculated at the one year Euribor rate prevailing on the last business day of the year, adjusted for the company's credit margin and net of the prevailing UK corporation tax rate.

The company is in a net liability position and is anticipated to remain in such position for the foreseeable future. As a result, the directors of WPP Samson Limited have resolved to permanently waive their entitlement to any preference dividend on the company's Euro preference shares relating to the years ended 31 December 2021 and 2020. Accordingly, no preference share dividend in relation to 2021 is proposed or provided for (2020: £nil).

12. Taxation

(a) Analysis of tax (credit) / charge for the year is as follows:

	2021 £'000	2020 £'000
Current tax - overseas	17	-
Deferred tax	(409)	59
Tax for the year	<u>(392)</u>	<u>59</u>

(b) Factors affecting tax (credit) / charge for the year

The differences between the tax charge / (credit) in the profit and loss account and the amount calculated by applying the standard rate of UK corporation tax of 19% (2020: 19%) to the profit / (loss) before tax are as follows:

	2021 £'000	2020 £'000
Profit /(loss) before tax	<u>6,700</u>	<u>(4,766)</u>
Tax charge /(credit) at 19% (2020: 19%) thereon	1,273	(906)
Effects of:		
Impact of rate change	(112)	(43)
Group relief (claimed) / surrendered	(1,247)	451
Foreign tax paid	17	-
(Non-taxable income) / non-deductible expenses	(119)	143
Other	(204)	414
Tax for the year	<u>(392)</u>	<u>59</u>

A deferred tax asset of £715,000 (2020: £305,000) has been recognised in respect of timing differences relating to share options.

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

Wavemaker Global Limited

Company Registration No. 04078556

Notes to the financial statements (continued) Year ended 31 December 2021

13. Debtors

	2021 £'000	2020 £'000
Trade debtors	16,343	21,418
Amounts owed by group undertakings	15,960	2,254
Other debtors	4,644	3,982
Prepayments and accrued income	11,588	20,967
	<u>48,535</u>	<u>48,621</u>

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

Other debtors contains a balance to be claimed from HMRC in relation to VAT overdeclared in prior years.

14. Creditors: amounts falling due within one year

	2021 £'000	2020 £'000
Bank overdrafts	-	41,633
Trade creditors	3,018	7,237
Amounts owed to group undertakings	67,045	-
Other taxes and social security	839	684
Accruals and deferred income	42,544	48,069
	<u>113,446</u>	<u>97,623</u>

Included within amounts owed to Group undertakings is a balance of £37,108,684 which is an interest-bearing inter-group loan with a fellow Group company in relation to the cash pooling arrangement, and attracted an interest rate between 0.1% and 5% as at 31 December 2021.

All other amounts owed to group undertakings are unsecured, interest-free and repayable on demand.

15. Creditors: amounts falling due in more than one year

	2021 £'000	2020 £'000
Amounts owed to group undertakings	-	9,168
Redeemable preference shares owed to group undertakings	11,548	12,294
	<u>11,548</u>	<u>21,462</u>

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

The preference shares are redeemable at par by the company.

Wavemaker Global Limited

Company Registration No. 04078556

Notes to the financial statements (continued) Year ended 31 December 2021

16. Called-up share capital

Each share carries full dividend rights and full distribution rights.

	2021 £'000	2020 £'000
Authorised:		
50,000 ordinary shares of £1 each	50	50
	<u>50</u>	<u>50</u>
Called-up, allotted and fully paid:		
1 ordinary share of £1	-	-
	<u>-</u>	<u>-</u>

17. Related parties

The company is a wholly-owned subsidiary of WPP plc and therefore is exempt from the disclosure of information regarding related party transactions with its parent company and wholly-owned subsidiary undertakings of the ultimate parent company. Details of the ultimate parent company are shown in note 18.

18. Ultimate parent undertaking and controlling party

The directors regard WPP Samson Limited, a company incorporated in England and Wales, as the immediate parent company and WPP plc, a company incorporated in Jersey, as the ultimate parent company and the ultimate controlling party. The registered address of WPP plc is 13 Castle Street, St Helier, Jersey, JE1 1ES.

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. The parent undertaking of the smallest such group is WPP Jubilee Limited, registered in England and Wales.

Copies of the financial statements of WPP plc are available at www.wppinvestor.com. Copies of the financial statements of WPP Jubilee Limited can be obtained from the registered address Sea Containers House, 18 Upper Ground, London, SE1 9GL.