



Together as

one

One mission

To build a **purely digital** advertising and marketing services business, which disrupts analogue models by embracing **content, data&digital media and technology services** in an **always-on** 24-7 environment, for global, multinational, regional and local clients and for millennial-driven brands.



www.s4capital.com/annualreport21

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Financial highlights

One P&L

Billings¹

£1.3bn

+99.4%

Like-for-like² 66.8%

Pro-forma³ billings

£1.4bn

+67.1%

Revenue

£686.6m

+100.4%

Like-for-like 52.4%

Pro-forma revenue

£740.2m

+53.8%

Gross profit/net revenue

£560.3m

+89.8%

Like-for-like +43.7%

Pro-forma gross profit/net revenue

£609.1m

+45.7%

Operational EBITDA⁴

£101.0m

+62.4%

Like-for-like +11.9%

Pro-forma operational EBITDA

£113.0m

+16.8%

Operational EBITDA margin⁵

+18.0%

-3.0 margin points

Like-for-like -5.1 margin points

Pro-forma operational EBITDA margin

18.6%

-4.6 margin points

Operating loss

-£42.1m

2020 +£8.1m

Pro-forma operating loss

-£83.5m

2020 -£87.9m

Adjusted operating profit⁶

£94.8m

+63.6%

Like-for-like +11.2%

Pro-forma adjusted operating profit

£106.7m

+16.6%

Loss before income tax

-£55.7m

2020 +£3.1m

Pro-forma loss before income tax

-£95.7m

2020 -£92.4m

Adjusted result before income tax⁷

£81.2m

+53.5%

Like-for-like +0.4%

Pro-forma adjusted result before income tax

£94.4m

+8.6%

Adjusted basic earnings per share

13.0p

2020 7.9p

Pro-forma adjusted basic earnings per share

14.8p

2020 11.6p

Market capitalisation at 12 May 2022

£1.69bn

Share price at 12 May 2022

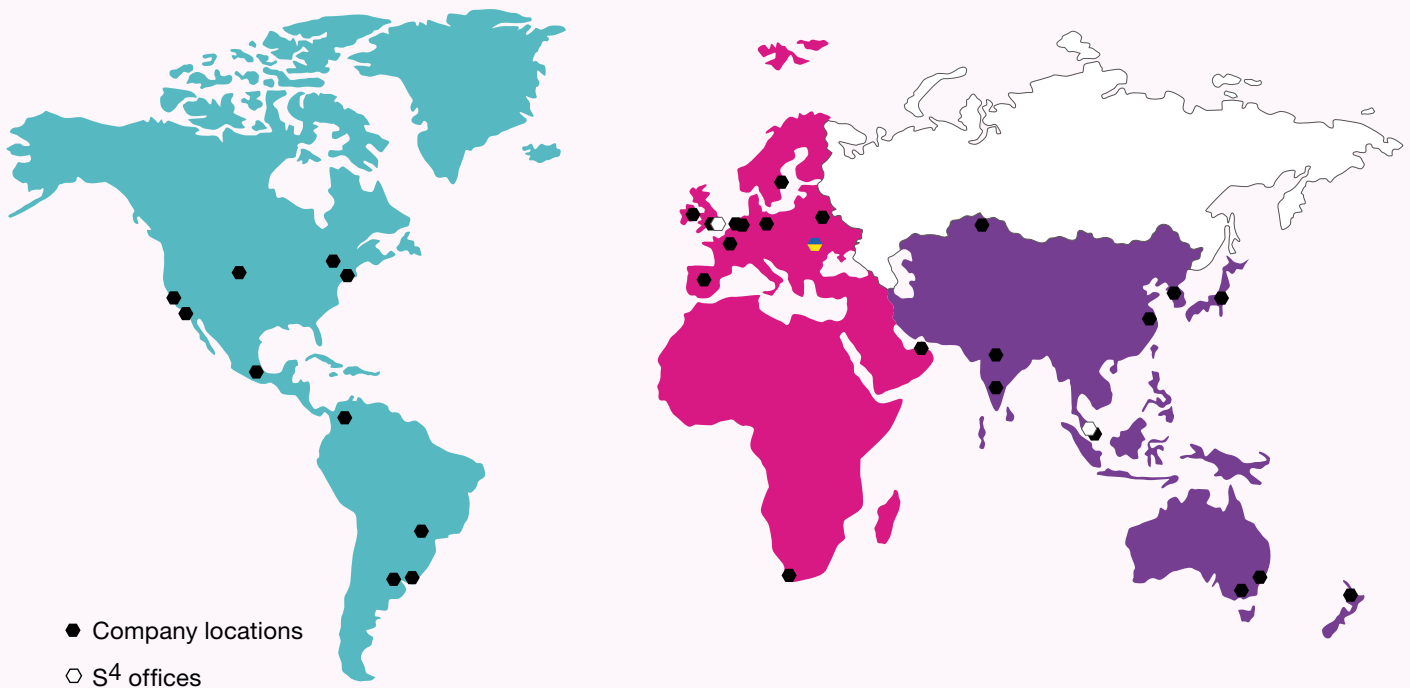
305.4p

For full reconciliation from statutory to non-GAAP measures, please refer to Note 26 and the unaudited preliminary results published on 6 May 2022.

Notes:

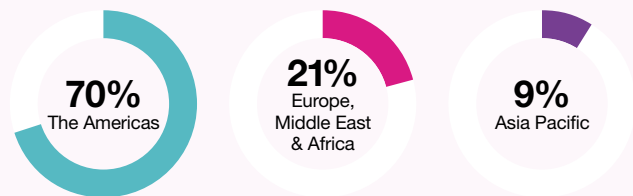
1. Billings is gross billings to clients including pass-through costs.
2. Like-for like relates to 2020 being restated to show the unaudited numbers for the previous year of the existing and acquired businesses consolidated for the same months as in 2021 applying currency rates as used in 2021.
3. Pro-forma numbers relate to unaudited full year non-statutory and non-GAAP consolidated results in constant currency as if the S⁴ Capital plc Group (the Group) had existed in full for the year and have been prepared under comparable GAAP with no consolidation eliminations in the pre-acquisition period.
4. Operational EBITDA is EBITDA adjusted for acquisition related expenses, non-recurring items and recurring share-based payments, and includes Right-of-use assets depreciation. It is a non-GAAP measure management uses to assess the underlying business performance (also see Note 26).
5. Operational EBITDA margin is operational EBITDA as a percentage of gross profit/net revenue.
6. Adjusted operating profit is operating profit/loss adjusted for non-recurring items and recurring share-based payments.
7. Adjusted result before income tax is profit/loss before income tax adjusted for non-recurring items and recurring share-based payment.

One world, one business



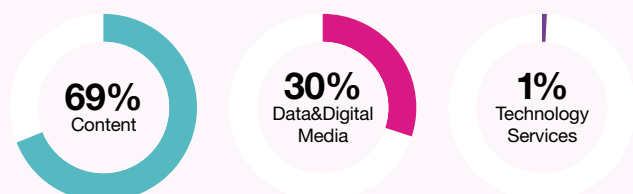
8,400
people

Gross profit/net revenue by region



33
countries

Gross profit/net revenue by practice



Our growth path

2022

January: Announcement of combination between Media.Monks and 4 Mile Analytics.

2021

January: Announcements of combination of MediaMonks with TOMORROW and STAUD STUDIOS.

February: MightyHive acquired the assets of Datalicious Australia.

March: Announcement of conditional agreement to combine MediaMonks and Jam3, completed in May.

May: Announcement of agreement to combine MightyHive and Raccoon.

July: Announcement of combination of Destined and MediaMonks.

August: MediaMonks and MightyHive become one unitary brand: Media.Monks.

September: Announcement of combinations of Cashmere and Zemoga with Media.Monks.

November: Announcement of combination of Miyagi and Media.Monks.

December: Announcement of combination of Maverick and Media.Monks.

2020

January: Announcement of combination of MediaMonks with Circus Marketing.

May: Announcement of combination of MightyHive with Digodat.

June: Announcement of combination of MightyHive with Lens10.

July: Announcement of combination of MightyHive with Orca Pacific.

August: Announcement of combination of MightyHive with Brightblue.

September: Announcement of combination of MediaMonks with Dare.Win.

December: Business combinations of MediaMonks with Decoded and MightyHive with Metric Theory.

2018

May: Formation and initial funding of S⁴Capital plc.

July: Combined with digital content production company MediaMonks.

December: Combined with programmatic company MightyHive.

2019

April: Caramel Pictures acquired by MediaMonks.

April: Combination of MightyHive with ProgMedia.

June: Announcement of combination of MediaMonks with BizTech.

August: Combination of MediaMonks with IMA.

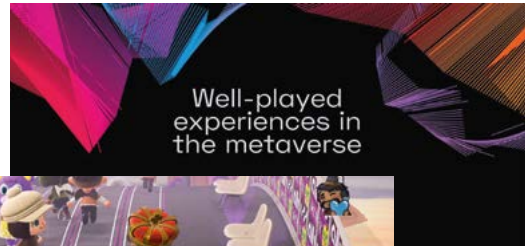
October: Combination of MediaMonks with Firewood Marketing.

October: Combination of MightyHive with ConversionWorks.

November: Announcement of combination of MediaMonks with WhiteBalance.

Exploring the metaverse

We're at the heart of this new world.



2021 high points



See our one-minute video at www.s4capital.com/annualreport21

Winning, landing and expanding

Conversion at scale with 'whoppers' and 'whoppertunities'.

HP Google
BMW Mondelez Meta
Cisco L'Oreal Netflix Miele
Moncler Allianz P&G PayPal
NDA Telecommunications company
NDA FMCG company*

* 2022 win

Growing the Fellowship programme

Meet our three Fellows – we're taking on five more in 2022.



Arion



Erena



Alfred

Greening our planet

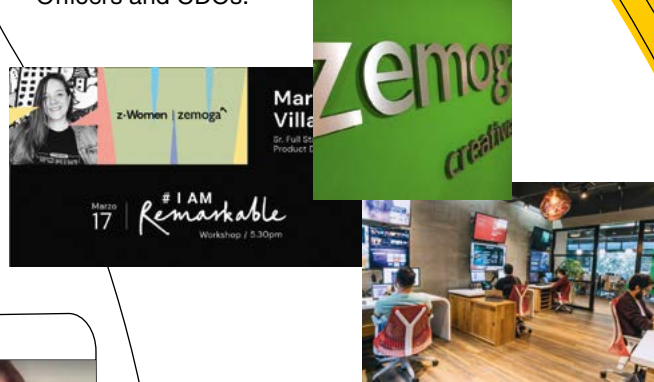
265,000

trees planted in 2021.



Building our Technology Services practice

The combination with Zemoga takes us into new markets, enabling us to engage more deeply with CIOs and CTOs in addition to CMOs, Chief Sales Officers and CDOs.



Putting women first

Empowering our senior female execs through the interactive S4 Women Leadership programme.



Strengthening the centre

Investment in our management structure and our Chief Diversity Officer, James Nicholas Kinney (below).



Welcoming our new Monks

Broadening and deepening our offer across the world.



** 2022 combination

Uniting under one brand

Together as one. A seamless, fully integrated offer for clients.



One direction

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In our third full financial year we almost doubled in size and generated over \$900 million (£687 million) of revenue. We continued to develop client conversion at scale to achieve our ultimate 20² objective: 20 clients each generating revenues of over \$20 million (£15.3 million) per annum over the period 2022–24.

Dear shareowner

Whilst this growth, both organic and through business combinations, is very satisfying, the delay in producing our 2021 results is unacceptable and embarrassing and significant changes in our financial control, risk and governance structure and resources are being implemented and planned to try to ensure this doesn't happen again.

Top honours for any 2021 achievements should go to our (now) over 8,400 Monks globally who, no sooner than recovering from the strain and challenge of the pandemic, had to face the impact of the shocking events in Ukraine, but continue to respond unflinchingly. Their creativity, adaptability, resilience and hard work have made this success possible and have started to prove the potency of our new age/new era, digital, data-driven, unitary model, which has gained significant traction.

The pandemic has, at the same time, accelerated the drive to create a digital world, together with the adoption of digital transformation amongst consumers, across all media and within enterprises and, in turn, stimulated the demand from clients for digital marketing expertise.

- We continued to grow our top line at industry-leading rates, despite covid-19, and have exhibited agility in developing new content revenue streams quickly, in such areas as the Unreal Engine, the Metaverse, blockchain, crypto and NFTs, placing us at the forefront of these significant disruptions.
- We continued to broaden and deepen our Content and Data&Digital Media practices through organic growth and by the addition of a further five Content, four Data&Digital Media and one Technology Services companies in 2021 and one so far in early 2022.
- We expanded into our third practice area – Technology Services – enabling us to engage more deeply with CIOs and CTOs in addition to CMOs, Chief Sales Officers and CDOs.
- We introduced our single operating brand, Media.Monks, reflecting our seamless, fully integrated offer for clients.
- We expanded our major client relationships and broadened and deepened our client roster.
- We appointed a global Chief Diversity Officer and continued to embrace our diversity, equity and inclusion opportunities with unique, black-orientated fellowship and female executive leadership programmes, changed hiring practices and education programmes.
- We continued to make progress in our zero carbon commitments targeting 2024, earlier than most.
- We have currently achieved double \$ and close to double £ Unicorn status in terms of stock market value, in only our third full year, despite the significant stock market volatility, while expanding our balance sheet to take advantage of combination opportunities. ▶

Letter to shareowners continued

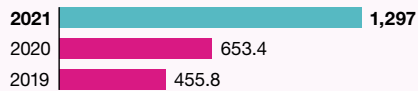
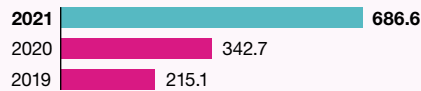
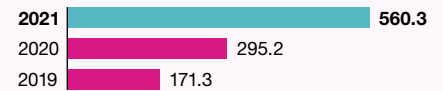
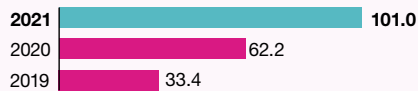
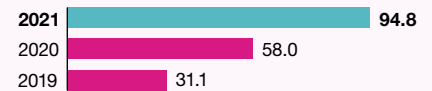
Financial performance

All-in-all, we continued to fire on almost all cylinders in 2021, with like-for-like revenue and gross profit/net revenue up 52.4% and 43.7%, two-year simple stacks for gross profit/net revenue up 63.1%, the one feature we would have liked to improve on being the Operational EBITDA margin, which was impacted by the significant investment required to bed down our growth.

- Billings¹ were £1.3 billion, up 99.4% on a reported basis, up 66.8% like-for-like² and up 67.1% pro-forma³. Controlled billings, that is billings we influenced in addition to billings that flowed through our income statement, more than doubled to approximately £5.4 billion (2020: £2.3 billion).
- Revenue was £686.6 million, up 100.4% from £342.7 million on a reported basis, up 52.4% like-for-like, and up 53.8% on a pro-forma basis.
- Gross profit was £560.3 million, up 89.8% reported, up 43.7% like-for-like, and up 45.7% pro-forma.
- Operational EBITDA⁴ was £101.0 million, up 62.4% reported, up 11.9% like-for-like, and up 16.8% pro-forma.
- Operational EBITDA margin was 18.0%, down 3.0 margin points versus 21.1% in 2020, down 5.1 margin points like-for-like and 4.6 margin points pro-forma, reflecting investment ahead of the revenue curve in major new ‘whopper’ clients, new areas of organic growth, such as connected TV, and financial, risk and management infrastructure to manage future growth.
- Operating loss was £42.1 million, after £136.9 million of adjusting items, principally acquisition and amortisation expense, versus an operating profit of £8.1 million in 2020. Adjusted basic net result per share was 13.0p versus 7.9p in 2020, reflecting a lower effective US tax rate for 2021.
- Statutory loss for the period was £56.7 million, versus a reported £3.9 million (loss) in 2020, after charging under IFRS £72.3 million of combination payments, which were tied to the continued employment of key share-owning principals in combinations. Although such contractual provisions impact the income statement, your Board believes this is a better commercial approach given the professional service nature of our business.
- Basic and diluted net loss per share were 10.3p, versus 0.8p (loss) in 2020.
- Year-end net debt⁵ was £18.0 million (2020 net cash: £51.6 million), despite making £96.6 million in cash combination payments and reflecting cash flow from operating activities with 54.1% operating cash flow conversion from EBITDA.
- Operational EBITDA margins improved in the second half from 14.5% in the first half to 20.6% in the second half giving 18.0% for the full year, as the first half increased investment in our people yielded higher productivity in the second half.
- Pro-forma billings were £1.4 billion. Pro-forma revenue was £740.2 million and pro-forma gross profit was £609.1 million up 53.8% and 45.7% respectively on 2020. Pro-forma operational EBITDA was £113.0 million, up 16.8% on 2020, with operational EBITDA margin at 18.6%, 4.6 margin points down on the previous year. Pro-forma adjusted operating profit, excluding adjusting items of £190.2 million, is £106.7 million, up 16.6% on the previous year. Pro-forma adjusted pre-tax profits were £94.4 million versus £87.0 million in the previous year, up 8.6%. Pro-forma adjusted profit for the period was £82.3 million (2020: £64.5 million), up 27.6%. Adjusted pro-forma basic earnings per share before adjusting items was 14.8p, up from 11.6p in the previous year.

Notes:

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2. Like-for like relates to 2020 being restated to show the unaudited numbers for the previous year of the existing and acquired businesses consolidated for the same months as in 2021 applying currency rates as used in 2021.
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5. Net debt comprises cash minus gross bank loans (excluding transaction costs).

Billings £m**Revenue** £m**Gross profit/net revenue** £m**Operational EBITDA** £m**Operational EBITDA margin** %**Adjusted operating profit** £m**Geographic performance**

On a pro-forma basis, The Americas accounted for 71.3% of gross profit against 74.3% in 2020. Europe, Middle East & Africa represented 19.4% of gross profit against 16.6% in 2020. Asia Pacific represented 9.3% of gross profit against 9.1% in 2020. Pro-forma growth in gross profit/net revenue was up 39.9% in The Americas, 70.8% in Europe, Middle East & Africa and 47.8% in Asia Pacific.

Our long-term objective has been to achieve a geographic distribution of 40% in The Americas, 20% in Europe, Middle East & Africa and 40% in Asia Pacific, particularly given the likely continuing rise of China and India and despite the recent US/China trade frictions. However, the war in Ukraine has increased concerns about Taiwan and China and, as a result, it is likely that our transition to Asia Pacific will take longer, with a 60:20:20 geographical split being a more realistic objective, at least in the medium term.

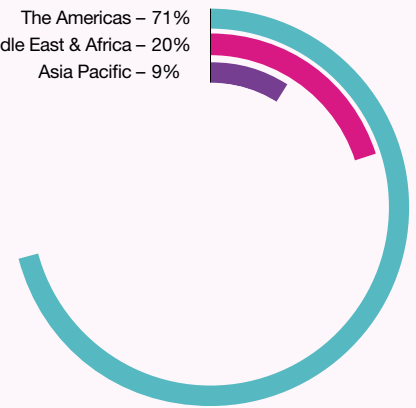
Practice performance

On a pro-forma basis, Content accounted for 67.0% of gross profit/net revenue against 65.5% in 2020. The Data&Digital Media practice represented 29.6% of gross profit/net revenue against 31.8% in 2020. Technology Services, a new practice for us in 2021, accounted for the remaining 3.4%. Pro-forma growth in gross profit/net revenue was up 49.0% at the Content practice and up 36.0% at the Data&Digital Media practice. Technology Services was up 79.3%.

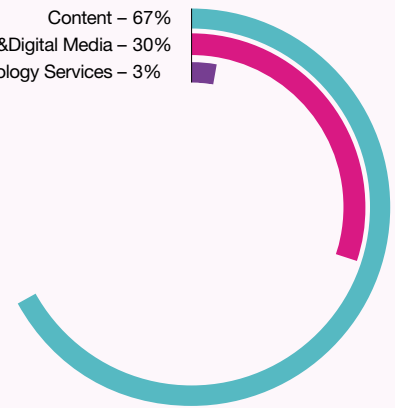
Our long-term objective now is to achieve a practice distribution around one-half in Content, one quarter in Data&Digital Media and one quarter in Technology Services. ►

Pro-forma gross profit/net revenue by region

The Americas – 71%
Europe, Middle East & Africa – 20%
Asia Pacific – 9%

**Pro-forma gross profit/net revenue by practice**

Content – 67%
Data&Digital Media – 30%
Technology Services – 3%



Letter to shareowners continued

Client developments

2021 saw the expansion of our major client relationships with additional remits and geographies at brands including Google, Meta, PayPal, HP, Netflix, Procter & Gamble, Mondelez and BMW. We also saw significant new business with engagements from new clients including Allianz, Miele, Instacart, Pearson, Canva, Constellation Brands and M1.

We had six 'whoppers' (clients with revenues over \$20 million per annum) in 2021, as opposed to only two in 2020. We have also now identified 19 more potential 'whoppers', where we currently project \$5-15 million of revenue per annum and which potentially could break through the \$20 million per annum level over the latest three-year planning period for 2022-24. We anticipate that a further five clients may well become 'whoppers' this year making a total of 11 in 2022, well on the way to achieving our 20² objective.

Practice developments

2021 also saw significant strengthening and deepening of our Content and Data&Digital Media practices. Our newly launched unitary brand, Media.Monks, broadened and deepened its geographical footprint in 2021 and so far in 2022. It added North and South American Content and Data&Digital Media capabilities through Jam3, Racoon Group, Cashmere, Maverick Digital and 4 Mile. In Europe, Middle East & Africa, Media.Monks entered the German and Italian markets through STAUD STUDIOS and Miyagi. In Asia Pacific, we added Content and

Data&Digital Media capabilities through TOMORROW in China and Datalicious and Destined, both in Australia. Media.Monks also added significant talent from competitors in the areas of new digital media social content and digital government communications.

Finally, Media.Monks entered a third practice, Technology Services, through South American-based Zemoga.

Media.Monks has integrated each combination into our now three practices: Content, Data&Digital Media and Technology Services.

One of the consequences of the pandemic was an acceleration in consolidating separate offices on a city-by-city basis, as existing leases were terminated more quickly. We are now planning new leases with an approximately 60% pro-rata capacity floor plate, assuming office occupation of three days a week on average.

There is little doubt that we will not return to the old normal in terms of office location, layout and use. There will be more flexible working from home, probably about 40% of the working week, with more flexible commuting times, more dispersed working and living patterns and different office layouts, with separate spaces for our people to meet, to work and to engage with clients.

We are also increasingly consolidating our strategic, client content, data and programmatic and technology services offer at the S⁴Capital level.

// Media.Monks entered a **third practice**, Technology Services, through South American-based Zemoga //



Environment, Social and Governance (ESG) strategy

In 2021, the Company continued to raise the bar in all three areas of our ESG strategy.

- We actively track our CO₂ emissions and perform competitively with a sample of peer companies. We have committed to achieving carbon neutrality by 2024, which we have realised in 2021 by offsetting our 2020 emissions in our S⁴ Forest. We have planted over 265,000 trees and will officially offset our emission for 2021 in 2022 through certified forest preservation projects. These actions are taken in response to the World Economic Forum 2020 Davos Manifesto. We are the first advertising and marketing firm to commit to the Amazon Climate Pledge, which has a longer-term objective in relation to zero emissions. We are seeking B Corp status across the whole Company, not just for individual offices, by 2023.
- In 2021, we strengthened our hiring and educational policies in relation to diversity, equity and inclusion. With regard to gender diversity, our relative ratio has improved, with 43% women globally, 44% men and

13% undeclared (compared to 45% women and 55% men in 2020). Our second edition of the S⁴Women Leadership Programme has recently launched. We have also hired our second-year flight of Fellows for the four-year, multi-practice S⁴ Fellowship Programme, who exclusively come from historically black colleges and universities in the US. To keep diversity efforts front and centre of our everyday practices, we have hired a global Chief Diversity Officer whose main task is leading our recruiting efforts, so we can discover and attract the candidates that represent our communities.

- Across S⁴Capital we donated 1,460 hours to community and charity services and we continue to contribute to society and the needs of the planet with our Projects for Good, which are all related to the United Nations Sustainable Development Goals. In 2021 we raised our number of projects read more for Good from 41 to 251.

Read more about our ESG performance and activities on pages 16 to 27.

- In regard to governance, the Company is committed to good corporate governance and endeavours to comply with the principles and provisions of the UK Corporate Governance Code, to the extent appropriate for its business. The composition of the Audit and Risk Committee and the Nomination and Remuneration Committee, both comprised entirely of independent Non-Executive Directors, and the balance of the Board as a whole ensures that the Board operates effectively within expected standards of corporate governance, with constructive challenge from the independent non-executive directors. We continue to try to enhance the capabilities of the Board with the addition of more diverse talent to add to the existing four female and five male Non-Executive Directors based in The Americas, Europe, Middle East & Africa and Asia Pacific. ▶

Letter to shareowners continued

Seizing the decade

Overall, it is clear that covid-19 has accelerated the adoption of digital transformation and digital media at three levels:

- Firstly, at the consumer level, with consumers buying groceries and essentials online, educating their kids online, using financial services online and gorging on online entertainment and gaming.
- Secondly, media trends have been accelerated, with the streamers like Netflix and Disney+ gaining on free to air TV (despite recent turbulence), traditional newspapers and magazines under greater pressure from digital alternatives and traditional outdoor being increasingly eclipsed by digital outdoor.
- Finally, enterprise adoption of digital transformation has accelerated, as covid-19 disrupted steady state growth and during that disruption 'change agents' have been given more oxygen to implement digital organisational change.

It is also clear that the Company's purely digital model, based on first-party data (reinforced by the recent privacy policy decisions by Apple and Google) fuelling the creation, production and distribution of digital advertising content and distributed by digital media, is increasingly resonating with clients. Our tagline 'faster, better, cheaper' or 'speed, quality, value' and unitary, one P&L structure also appeal strongly.

Summary and outlook

There is no doubt that covid-19 has had a devastating impact on the global economy and society over the last two years.

Our people have been put under immense strain, particularly with the illness and loss of family members. We applaud their resilience, hard work and success and thank them for all their efforts. We took the view that we would not make significant reductions in the number of people in the company, nor rely in any significant way on government support or funding.

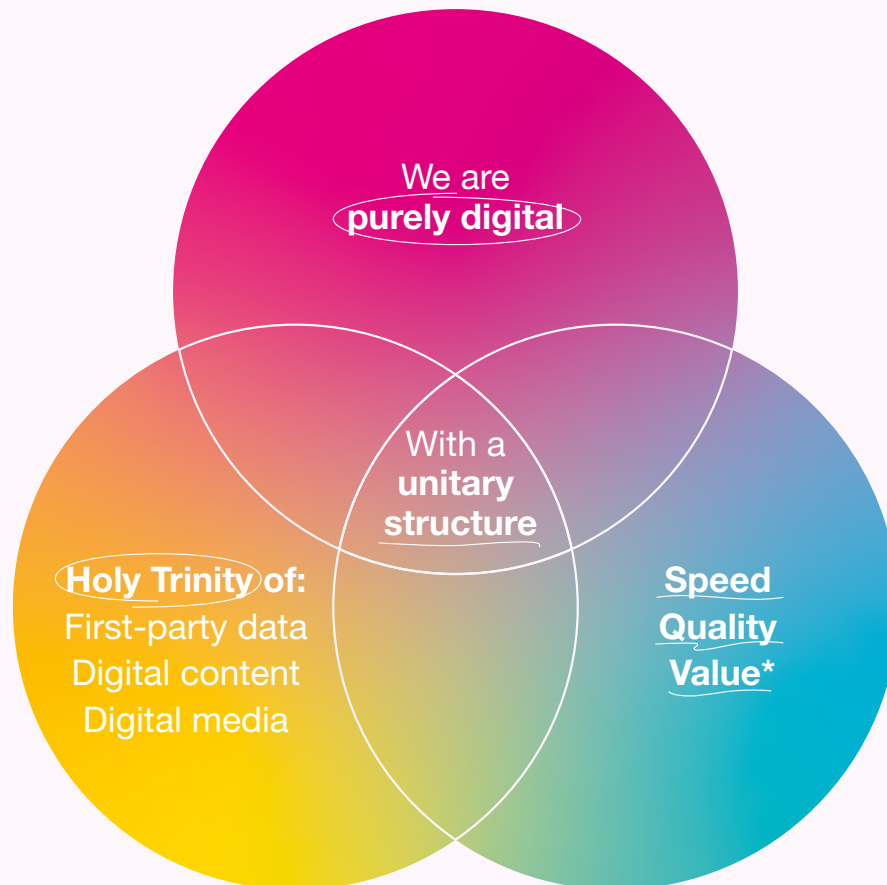
Our Content practice, now representing about two thirds of our business, pivoted very quickly to robotic production and animation and from orchestrating live events to virtual ones. We created significant new content revenue streams very quickly, with like-for-like gross profit/net revenue growth of 19.4% in 2020 and 43.7% in 2021, a two-year simple growth stack of 63%, whilst the analogue advertising and marketing services industry struggled to find a low single-digit two-year simple stack of around 3%.

The imperatives for 2022 continue to be: to achieve greater client conversion at scale and our 20² objective as rapidly as possible; to integrate our three practices even more effectively; to continue to strengthen our diversity, equity and inclusion and climate change achievements; to continue to broaden and deepen our service capability through further combinations; and, of course, to try to ensure a delay in our results doesn't happen again.

We continue to review the recommendations of Lord Hill's Report to the UK's Chancellor of the Exchequer that provides a possible pathway to a premium UK listing and the possibilities of a US listing, where market valuations for comparators are higher.

// Covid-19 has **accelerated** the adoption of digital transformation and digital media //

Our four core principles



We believe 2022 will generally be a good year economically, with consumers temporarily insulated from an inflationary squeeze by covid-19 savings. And this, despite significant inflation, higher interest rates, continued lockdowns in China, a consequent lowering in forecast GDP growth rates and the war in the Ukraine – which will raise risk levels for clients in Central and Eastern Europe and to a lesser extent Asia Pacific, whilst lowering them in North and South America.

In the first quarter of 2022, gross profit/net revenue growth was strong and ahead of guidance. This performance is planned to continue into 2022, with budgets and plans targeting strong revenue, gross profit/net revenue growth and improving operational EBITDA margin and the three-year plan for 2022-24 aiming for a doubling of the Group organically, excluding combinations and EBITDA margins returning to previous levels. ■

* Faster, Better, Cheaper

Martin Sorrell

Sir Martin Sorrell
Executive Chairman

Mary Basterfield

Mary Basterfield
Group Chief Financial Officer

ESG: sustainability and corporate responsibility

Our sustainability strategy, comprising three pillars, is based on our potential impact, stakeholder opinions and our contribution to the UN Sustainable Development Goals (SDGs) developed in 2015 by the United Nations.

- **Zero Impact Workspaces** concentrates on our own operations, taking care of our home and household.
- **Sustainable Work** focuses on taking care of our work for and with clients and thereby making an impact in our supply chain.
- **Diversity, Equity and Inclusion (DE&I)** focuses on taking care of ourselves and each other, with a growing emphasis on the support we offer to clients.

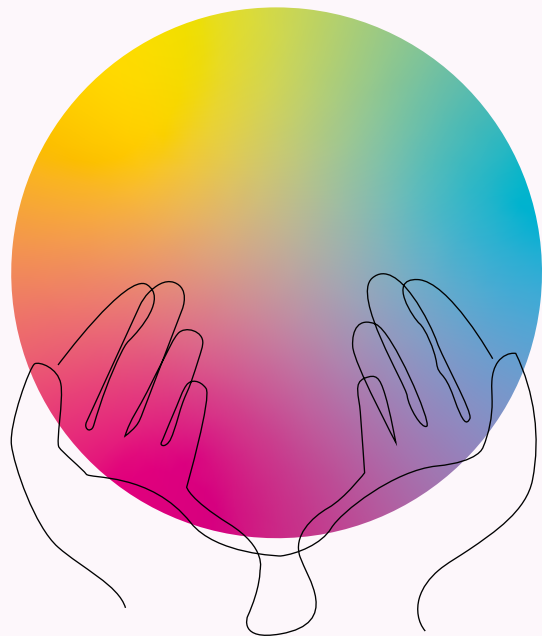
We have set goals for each of our strategic pillars that collectively contribute to our overarching ambition: to build a sustainable and inclusive company and become B Corp certified, validating our business as a force for good.

In 2021 we took additional steps to become B Corp certified and are currently in the middle of the full scope assessment. The B Corp ambition demonstrates how we strive to become industry leaders. We believe that this ambition starts with increasing transparency. Part of this transparency is standardisation, to measure, compare and adjust. There are still many unknowns in our industry that we need to tackle. Therefore, we signed the Commitment Letter of the World Economic Forum. This letter reflects our commitment to the global alignment effort on ESG reporting and to the Stakeholder Capitalism Metrics Initiative (SCMI). The SCMI improves the ways that companies measure and demonstrate their performance against ESG indicators and to enable positive contributions towards achieving the SDGs. Through collaboration within and beyond our industry we want to turn these unknowns into knowns.

How we create value with our strategy and contribute to the SDGs

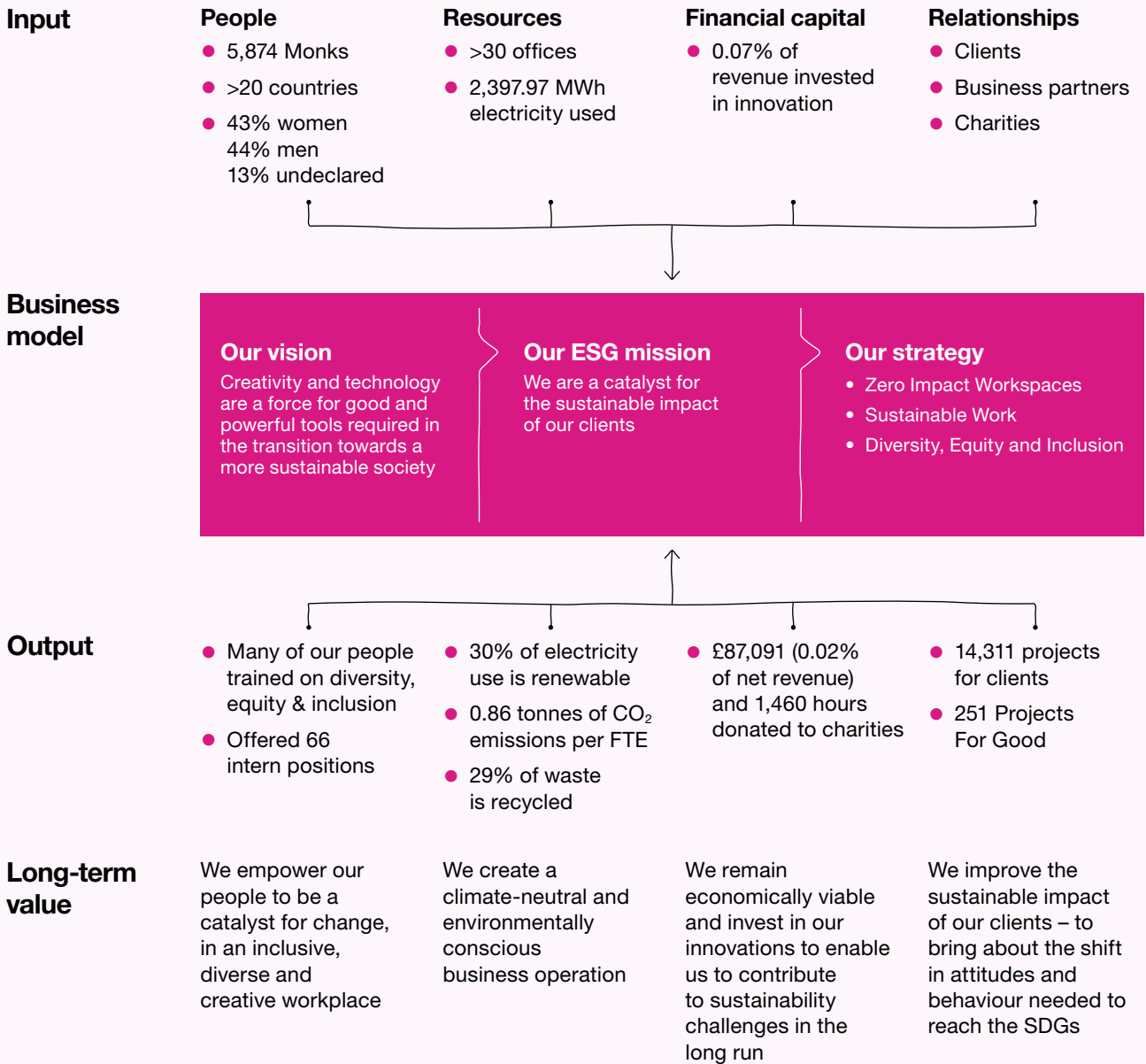
The impact model on page 17 explains how our sustainability strategy, our activities, and the resources we use lead to our ultimate impact goal. It describes how we create added value, now and in the long term. As the model shows, we aim to contribute to the SDGs.

Significant positive impact can be found in our work for clients, ranging from awareness raised on social topics, to changed consumer behaviour, to conservation of our environment. However, as the inputs show, we also consume natural resources to enable us to work for our clients. These relate to greenhouse gas emissions and waste associated with our business activities. We are working to decrease this negative impact of our business operations and increase our positive added value through our creative work.



The reporting scope for the sustainability information is based on combinations before 2021. The activities of the following companies are included in the reporting scope: Biztech, Circus Network Holding, Decoded Advertising, Firewood, IMAgency, MediaMonks, Metric Theory, MightyHive (including Lens 10), Orca Pacific, LLC, Superhero Cheesecake BV and S⁴Capital.

Our impact model



Zero Impact Workspaces



Sustainable Work



Diversity, Equity and Inclusion



ESG: sustainability and corporate responsibility continued

Zero Impact Workspaces

As an international company experiencing continual growth around the globe, we need to mitigate our impact. We aim to create a climate neutral and environmentally conscious business through tangible efforts in our daily operations. We want to build zero impact workspaces and contribute to increasing the share of renewable energy (SDG 7), reducing waste generation, and promoting sustainable procurement practices (SDG 12) by:

- Broadening the renewable energy share in our own energy mix by covering our roofs with solar panels or procuring green energy.
- Increasing the share of electric cars in our own and leased cars.
- Moderating our travel expectations (from pre-covid-19 levels), using environmentally-friendly travel options, and continuing to offset our carbon emissions.
- Reducing our waste production per FTE and increasing our recycling percentages.
- Aligning our procurement with sustainability standards and engaging with suppliers on sustainability.

We also want to reduce our CO₂ footprint (SDG 13). In response to the World Economic Forum 2020 Davos Manifesto, Media.Monks announced its commitment to achieve

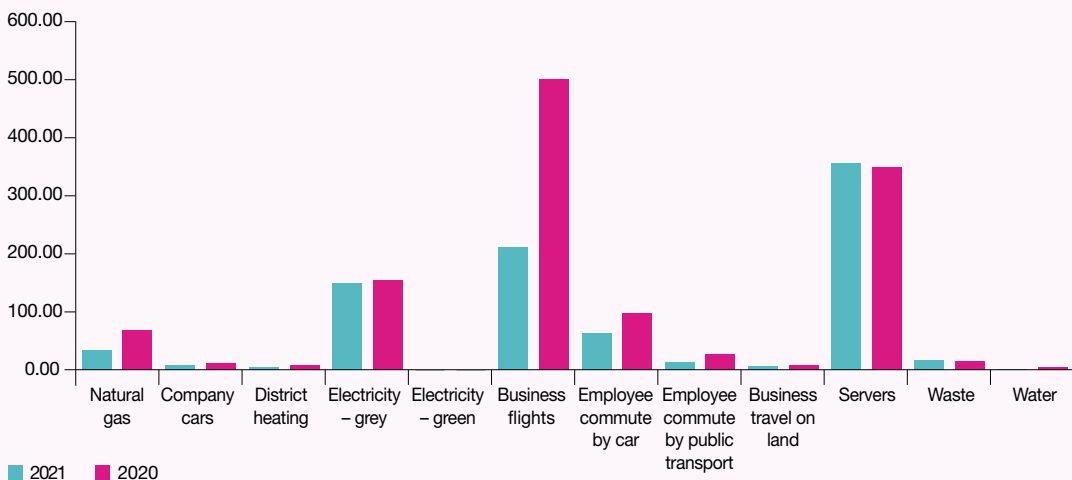
carbon neutrality by 2024. To strengthen this commitment, we signed the Climate Pledge in 2021 – a cross-sector community of companies and organisations working together to crack the climate crisis with a mission of reaching net zero carbon emissions by 2040. This is challenging, as digital companies like us are big consumers of energy, especially electricity. Therefore, we track our sustainability performance and continue to make progress when it comes to our workspaces.

S⁴ Forest

In 2021, we launched S⁴ Forest, partnering with Tree-Nation, a non-profit organisation that enables companies to plant trees all around the world to offset CO₂ emissions.

Through this partnership, we contributed to Eden Projects in Madagascar, a project initiated in response to the large-scale loss of mangroves and upland forests in Madagascar. In 2021 we planted more than 265,000 trees, thereby reforesting 88.48 hectares and capturing 10,617.95 tonnes of CO₂. This means that we have captured three times more CO₂ emissions than our own 2020 CO₂ emissions (2,800.80 tonnes of CO₂). Our 2021 emissions will be offset through a certified programme aimed at the conservation of trees and we will continue to plant trees for every new Monk joining us. We plan to offer clients the opportunity to offset the emissions caused by the production of their digital solution in our S⁴ Forest as well.

S⁴Capital emissions per category per FTE
(in kg CO₂)



Note:

Averages per FTE are based on the average number of FTE throughout the year. Also note that we did not include data from the home-workspaces of our employees (e.g. gas use, energy consumption, wastage). Therefore, the actual CO₂ emissions are most likely higher than we can report here.

Our performance in 2021

In 2021 we measured our carbon footprint for Media.Monks for the second time, in alignment with the Greenhouse Gas Protocol. As we are continuously growing as a company, it is hard to compare our absolute emissions. Therefore, we also disclose our emissions per FTE below.

In 2021, our total carbon footprint was 3,125.32 tonnes CO₂ emissions and a relative CO₂ emission of 0.86 tonne CO₂ per FTE. This reflects the fact that many of our people were working from home for a large part of the year due to covid-19.

Outlook

We aim to set a science-based target in 2022 according to the principles of the Science-Based Target Initiative. This target will meet the goals of the international Paris Agreement – limiting global warming to 1.5 degrees Celsius above pre-industrial levels.

In addition, we will continue the implementation of our Green Building checklist as part of our Green & Social Building policy. While some of our offices (e.g. Kuala Lumpur) already qualify as sustainable, this policy will provide guidance for new and existing contracts and renovation of our offices that need adjustments.

// We aim to create
a **climate neutral**
and environmentally
conscious business //

Sustainable Work

This pillar revolves around the work we do for our clients and with our partners. As we work with many brands around the globe, Media.Monks is well positioned to become a catalyst for change through our global clients and by attracting Purpose-Driven clients, as defined by the B Corporation. For both client groups we focus on improving our sustainable creation and production of projects as well as projects 'For Good'.

For both sustainable creation and For Good projects we aim to contribute to the SDGs as set out below.

- SDG 4.4: Through on-the-job learning, we want to increase the number of people with relevant skills – with special focus on under-represented groups (e.g. female developers) – also see the section on Diversity, Equity and Inclusion.
- SDG 9.4: We want to reduce the CO₂ emissions per unit of value added through facilitating our clients with an optimal way to produce and run projects sustainably (our Sustainable Work Manifesto).
- SDG 9.5: We want to steer and drive global solutions focused on technology and design evolution by investing in innovation.
- SDG 12.2: We want to reduce the material footprint of our projects by sustainably managing and increasing the efficient use of our project resources.

Through the content of our For Good projects, we also contribute to SDGs 1, 4, 5, 10, 12 and 13. ▶

ESG: sustainability and corporate responsibility continued

Our performance in 2021

Our Sustainable Work performance	2020	2021
Total number of projects	7,800	14,311
Total registered For Good projects	41	251
Hours registered on For Good projects	n/a	123,059
Net revenue from registered For Good projects	n/a	£23,609,684
All registered For Good projects as % of total revenue (all projects, paid, discounted, pro bono)	n/a	4.21%
Purpose-Driven clients	n/a	69
Net revenue from Purpose-Driven client projects	n/a	£13,952,540
% of total revenue for Purpose-Driven client projects	n/a	2.49%
% of net revenue from projects for alcohol and tobacco clients	n/a	0.93%
Donations to charity	£356,568 (0.12% of our net revenue)	£87,090 (0.02% of our net revenue)
Hours donated to community and charity services	n/a	1,460 hours
% of net revenue invested in innovation	1.23%	0.07%

In 2021, we developed a Sustainable Work Manifesto to integrate sustainable solutions more systematically. It impacts on the materials we use, our activities, such as business flights, as well as the end product we deliver. Options such as a production that is mobile-first or a product that only enables the consumer to watch the content when connected to wi-fi, for that reason results in a reduction in energy. Another efficiency gain can be reached through integrated productions.

In 2021, more than 20 of our projects were registered as integrated. As these measures differ per project, we are working on separate guidelines.

Sustainable film production

As an important part of our client work, film production is included as a separate stream within our Sustainable Work Manifesto. In Europe and the US, we are achieving more sustainable production through, for instance, the props and set pieces used, how waste is disposed of and what food is served. In the Netherlands we built a film studio as

sustainably as possible by taking energy consumption, waste management and catering into account. In addition to the design, we developed sustainable set rules for those who use the studio. This can function as a template for other production hubs around the world.

Inclusion and representation

Working sustainably also means that we take the social aspects into account. As digital advertisers and marketers, we can deepen customer connections by ensuring that audiences see themselves reflected authentically in our content. It is important to consider not only who is represented in images, but also how, and adjust for cultural differences globally. We have developed a 'Practical Guide to Inclusive Marketing', a website created to promote inclusion and representation in the context of marketing materials. A team of volunteers researched, created content, and designed this publicly accessible resource to help anyone in the marketing industry.

// As digital advertisers and marketers,
we can **deepen customer connections**
by ensuring that audiences see themselves
reflected authentically in our content //

Innovation

To spur innovation, 0.07% of our net revenue is spent on research and development work. Media.Monks' innovation team works on identifying opportunities and developing capabilities to steer and drive global solutions focused on technology and design evolution. The gained knowledge, findings and learnings are shared on a monthly basis to enable everyone interested to build upon our work.

For Good projects

Our 'For Good' strategy is a structured push for concepts, ideas and messages that contribute to the SDGs. We do this through R&D, donating financial aid or time to For Good charities, through our For Good projects and by working with purpose-driven enterprises (i.e. clients with a core purpose to change the world for the better) via paid, discounted or pro bono work.

Donating to For Good charities

We contribute to charities, either directly with our hours or indirectly with monetary donations. In 2021, Media.Monks donated £87,090 (0.02% of our net revenue) in financial aid. In addition, we also supported charities with 1,460 hours of our work.

For Good Projects

For Good Projects are projects created with a purpose to deliver a specific positive impact and benefit society by contributing to one or a few of the SDGs. We do this with conventional clients where the specific project is focused on one or more SDGs or with purpose-driven enterprises. These clients, of which we

supported 69 in 2021, have its origin in creating a positive impact on the world, where revenue from products or services comes from positive impact. The client can be a corporate, making profit, or non-profit. For example: education related clients, culture/art related clients, NGOs, clients promoting human rights or nature conservation.

Our 251 For Good projects with conventional and purpose-driven enterprises, represent 4.21% of our net revenue. We are already seeing progress here, moving from 41 out of 7,800 For Good projects (0.5%) in 2020, to 251 out of 14,311 (1.8%) For Good projects in 2021. We have the ambition to increase these efforts by contributing at least 1% of our total revenue and hours worked to voluntary work for non-clients.

Outlook

2021 was a year of creating internal awareness. In 2022, we will amplify our knowledge externally and among clients by developing more guidelines for sustainable work, like our Sustainable Film global rules of engagement, and transform them into default policies.

We will launch the People v Extinction campaign in 2022, to create awareness around biodiversity and the huge numbers of animals disappearing.

Some other examples of For Good projects are shown on the following pages. ►

ESG: sustainability and corporate responsibility continued



Ensuring secure livelihoods for everyone and eradicating extreme poverty

100WEEKS

100WEEKS is an NGO helping women worldwide out of extreme poverty by direct cash donations, empowering them to create income-generating activities. 100WEEKS provides 100 weeks of financial support (€8/week) as well as financial coaching. As its media partner, Media.Monks is building a new platform and a creative campaign with a shared ambition to raise enough money for 10,000 women to escape extreme poverty before the end of 2023 and help another 50,000 people in their direct environment benefit.



Achieve gender equality and empower all women and girls

Google x Internet: Stories of Courage

In partnership with the Women Will initiative, Media.Monks crafted a website to share the stories of Internet Saathi: an organisation of women spreading digital literacy in rural India. Launched on International Women's Day, Stories of Courage show how these women are empowering their communities with digital knowledge to access greater economic opportunity. Using the women's own words and voices, the audiovisual site illustrates the ripple effect of their stories as community leaders and entrepreneurs. We tag-teamed with Google on the concept, copy, design, and development of the site to amplify the women's voices across the web.



Reduce inequalities within and among countries

HP: #PowerYourPride

After a period of extended isolation, HP celebrated reconnecting as a community with a collection of expressive, Pride-themed printables designed exclusively by LGBTQ+ artists. Media.Monks selected six prominent LGBTQ+ influencers to drive awareness by sharing #PowerYourPride printables alongside personal stories of empowerment, Pride initiatives and bold calls to action. Reaching over 1 million impressions during the campaign, influencers encouraged their audience to go out and build a more positive world. #PowerYourPride demonstrates the collective power of self-expression, inspiring younger generations to embrace individuality — together.

Google Mexico: Indigenous Regions support

Media.Monks launched a social media campaign that celebrates the cultural contribution and representation of indigenous identity. It showcased the stories of strength and resilience of Afro-Latinas content creators that are redefining racial justice in a region where Afro-Latin communities are still considered foreigners. As a second stage, Media.Monks produced a series of videos where the mixing of Nahuatl and Spanish languages becomes the focal point and shapes the Mexican modern identity.

// Media.Monks is building a new platform and a creative campaign with a shared ambition to raise enough money for **10,000 women** to escape extreme poverty //



Ensuring sustainable consumption and production patterns

JUST Egg: Pioneers Club

For JUST Egg's brand launch in South Korea, Media.Monks turned the challenges of social distancing into a hyper-personalised experience at the plant-based pop up restaurant 'Pioneers Club' – inviting local plant-based pioneers to have a private dinner in the heart of Seoul's Yongsan district. Surrounded by greenery that represent the growing plant-based movement in Korea, two guests at a time are served personalised dishes with the full attention of renowned chefs and staff.

Studio Roosegaarde: GROW

Media.Monks partnered with Studio Roosegaarde to produce a film that showcases innovative ideas for sustainable horticulture. Titled GROW, it illuminates how LED lights can be used to speed up growth in plants. Taking place in a Dutch field, the film captures the beauty of agriculture and its sustainable future in an art-meets-science approach. Showcased at the World Economic Forum and on the BBC as part of the project's awareness campaign, the film reached over 600 million views.



Take urgent action to combat climate change and its impacts

The Nature Conservancy: Ocean Sewage Alliance

The Ocean Sewage Alliance is a collective advocating for exposure on sewage and wastewater pollution. Media.Monks helped the nonprofit's founders bring their message to both policy makers and the public by creating its branding, website, and awareness campaign. The campaign centres around three animated videos that playfully subvert expectations of poo and pee, reframing them as valuable resources that can benefit, rather than damage, our environment. ▶

// Reaching over **1 million** impressions during the campaign, influencers encouraged their audience to go out and build a more positive world //

ESG: sustainability and corporate responsibility continued

Diversity, Equity and Inclusion (DE&I)

The people (our Monks) who work at Media.Monks are at the heart of our business. Their talents are the fuel of the engine that keeps our business going. Our people are more likely to feel comfortable and happy in an environment where inclusivity and equity are priority.

Media.Monks has four core values to guide decisions on who we work with, what projects we work on, and how we interact with one another:

- We assume positive intent – our egos don't get in the way of our values.
- We act like owners – we lead with respect, empathy, and put our people first.
- We are result driven – we push to be better and improve ourselves.
- We solve it together – we foster a team where everyone belongs.

For and with our exceptional talent pool we aim to contribute to SDGs 5, 8 and 10 through this pillar.

- SDG 5.5: We are committed to ensure equal opportunities for women in managerial positions (and in senior and middle management positions), with a first step in measuring our current ratios.
- SDG 8.5: We are committed to ensure equal pay for equal value at our premises, with a first step in measuring our current earnings for similar work.
- SDG 10.3: We are committed to ensure discrimination against people from an underrepresented minority group is not taking place on our premises by training our people (with a focus on allyship, anti-racism, anti-bias and other initiatives that promote racial and gender equity), creating Employee Resource Groups (ERGs), increasing ethnic and gender diversity at all levels of our company (especially in leadership roles) and increasing our involvement in organisations that promote diversity, equity and inclusion.

At Media.Monks, we value diversity and we do not discriminate against people based on gender, race or ethnic origin, age, religion, sexual orientation, pregnancy or maternity, gender identity, disability, marriage or civil partnership, social background, nationality and political opinion. The table and graph on page 25 show our diversity numbers and additional workforce data for the whole organisation in scope (excluding combinations after 1 January 2021, see page 17). Overall, our gender diversity is relatively balanced, since most Monks perform a professional role. However, we need to improve, especially in the tech departments and in leadership where our gender diversity is less balanced.

In 2021, we measured our diversity data for the first time based on self-identification. This means that our people had the freedom to indicate their gender or not: 13% of our workforce did not self-identify. This means that our data is not directly comparable with our 2020 workforce. We do see a positive trend on the professional level, whereas the other categories reveal a stable or negative trend. We are implementing various initiatives and partnerships to turn the tide.

Since companies are not allowed to register someone's ethnic origin everywhere, for example in the EU, we separated the information of our US Monks and Monks located elsewhere. The diversity of our US workforce is demonstrated in the figures on page 25. We are working on various initiatives that support a better influx of a diverse group of talented young people. However, we know we are not yet where we want to be: our people to represent the population diversity within the city office. ►

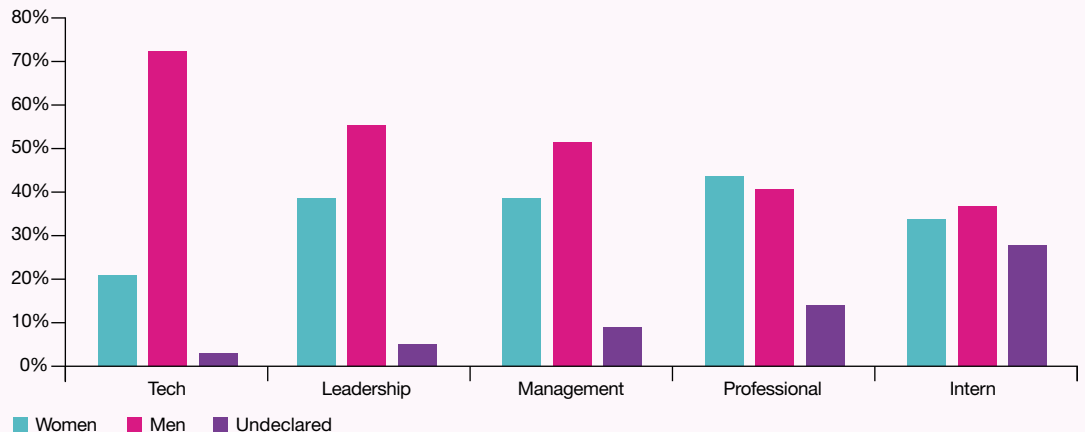
Our workforce and activities in 2021

Our Media.Monks people (Monks)	Total 2020	Women 2020	Men 2020	Undeclared 2020	Total 2021	Women 2021	Men 2021	Undeclared 2021
Monks	3,247	45%	55%	n/a	5,874 ¹	43%	44%	13%
Part-time	4%				3%			
Full-time	96%				97%			
Fixed contract	30%				9%			
Temporary contract	12%				2% ²			
Turnover as percentage of total Monks at end of 2021					21%	48%	42%	10%
Covered by collective bargaining agreement ³	0%				15%			
Monks who participated in a DE&I training	26%				95% ⁴			

Notes:

- As at 31 December 2021. This figure only includes the following offices: MediaMonks, MightyHive, Superhero Cheesecake, BizTech, IMAgency, Firewood, Circus. This figure only includes entities acquired before 2021.
- All other contracts do not have fixed end dates.
- We respect the rights of Monks across all businesses to participate in collective bargaining and freedom of association. Our people, without distinction, have the right to join or form trade unions of their own choosing and to bargain collectively in relation to a host of employee-related matters. Employee representatives are not discriminated against and have access to carry out their representative functions in the workplace.
- Based on actual data and estimates, as not all participants were registered beforehand.

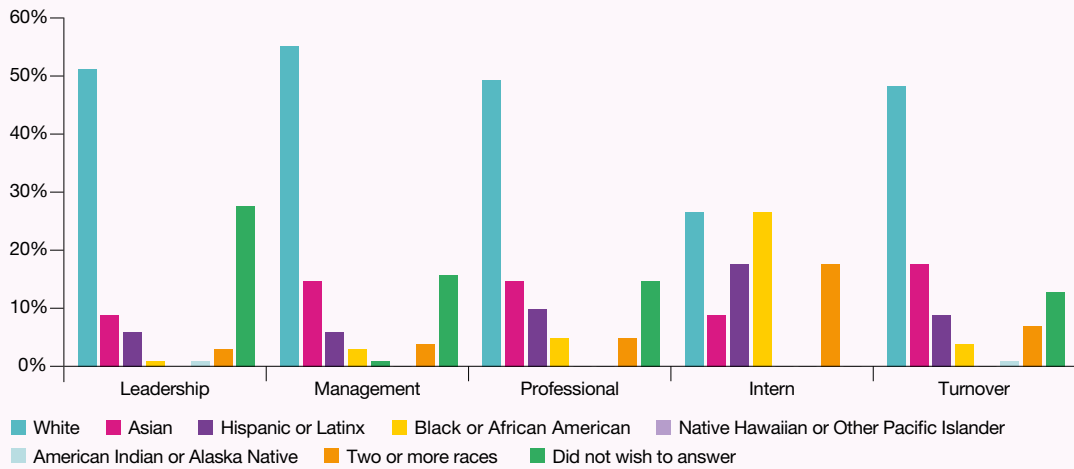
Gender diversity at S⁴Capital



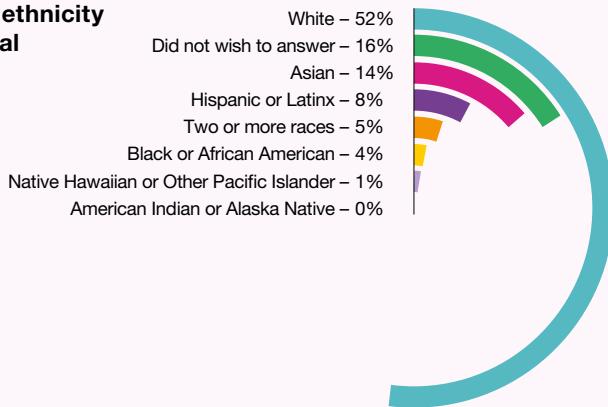
// The people who work at Media.Monks are at the **heart** of our business. Their talents are the fuel of the engine that keeps our business going //

ESG: sustainability and corporate responsibility continued

US ethnicity diversity at S⁴Capital



US overall ethnicity at S⁴Capital



We encourage a ‘speak-up’ culture amongst our people and any Monk who raises concerns about illegal or unethical organisational behaviour will be treated with respect, confidentiality and will experience no detriment as a result. Issues concerning possible wrongdoing in any aspect of the business, including financial and non-financial matters can be raised confidentially and anonymously. We have a common S⁴Capital whistleblower policy and whistleblowers can report in confidence to the Chair of the Audit and Risk Committee. The whistleblowing policy is overseen by the Audit and Risk Committee, which has the responsibility for investigating any concerns, and ultimately reported to the Board. Any whistleblowing cases will be regularly reported to the Audit and Risk Committee and ultimately, to the Board. To underline our commitment in this area, we embrace, support and enact the core values of the UN Global Compact.

Training has become part of everyone’s job and annual performance review. The coursework includes content on unconscious bias, allyship, inclusive conversations and other topics relevant to living our value of inclusivity. Currently, many of our people followed a DE&I training in 2021. This includes special leadership training for those in senior positions.

Our policies

We outlined our Code of Conduct in 2021. The purpose of this policy is to share our principles, policies, and position when it comes to misconduct and the type of behaviour we stand for as Media.Monks. The code provides information regarding discrimination, sexual harassment, workplace bullying and addressing and reporting misconduct (anonymously if desired). We have also outlined the different responsibilities borne by both managers and employees.

// We partner with organisations all over the world to **create opportunities** for those from under-represented groups in the tech and digital industry //

Our DE&I programmes, activities and partnerships

In 2021, we initiated our **Fellowship Programme**. This programme aims to empower exceptional students from traditionally under-represented communities to leave their own mark in shaping the path of technological innovation. Three students from historically black colleges and universities (HBCUs) formed the first cohort of the programme.

Media.Monks set up a **Women Leadership Programme** for all our ambitious women in our (predominantly) male industry. In 2021, around 50 women from all over the world participated in this six-month training. This interactive programme is aimed at helping women progress in their careers, with the goal of more female representation at the top.

We also partner with other organisations all over the world to create opportunities for those from under-represented groups in the tech and digital industry. We strengthened our partnership with TechGrounds – a school for IT learning in the Netherlands with a focus on cultural and gender diversity. In 2021, we hired four TechGrounders to join our team.

At Media.Monks, a variety of **Employee Resource Groups** (ERGs) have been established over the years. S⁴ Melanin has grown to be the largest ERG in Media.Monks, with over 80 members and expected to grow up to 300 by the end of 2022. This global community creates a safe space where employees of colour can meet each other and talk about a variety of topics, with the aim to help each other thrive both professionally as well as personally and make sure that everyone's voice is heard. In 2021, S⁴ Melanin met with the S⁴Capital Board and our Executive Chairman, Sir Martin Sorrell, about what progress needs to be made and how we are working toward ensuring that our regional offices are reflective of each local population.

Mental health and wellbeing

With working from home still common, we are helping our people stay connected and increase awareness about mindfulness and the benefits of looking after their mental health. In Latin America, we provide mental health support through Cuéntame.com. In the US, Monks can use the app Headspace as part of their benefits. In 2021, Media.Monks in Europe introduced OpenUp – a platform that allows participants to work on their mental wellbeing. Via OpenUp, our people can access a fast and safe check-in to assess their mental health.

The ability to turn off plays an important role in both the mental and physical wellbeing of our employees.

Outlook

We are committed to promoting diversity and inclusion internally but also externally, with the goal of our people representing the population diversity within each city office. We will continue with our practice of mandatory inclusivity training for everyone, as well as continuing to expand this training within our leadership, as well as launching the second year of our Fellowship and Women Leadership programmes. ■

For more on our sustainability and corporate responsibility performance and activities, see the ESG section at www.s4capital.com.

Section 172(i) statement

Our Directors take into consideration the interests of stakeholders in their decision making, as they are required to do by Section 172 of the Companies Act. This section is our Section 172(i) statement and it includes further information about the Board's approach to engagement with stakeholders.

The Directors consider, both individually and together, that they have acted in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its shareowners as a whole (having regard to the stakeholders and matters set out in Section 172(i)(a-f) of the Act in the decisions taken during the year ended 31 December 2021).

Our mission is to build a purely digital advertising and marketing services business, which disrupts analogue models by embracing content, data&digital media and technology services in an always-on 24-7 environment, for global, multinational, regional and local clients and for millennial-driven brands.

The Board recognises that engagement with the Company's stakeholders is critical to the success of the business in realising this mission. The Directors continue to have regards to the interest of our people and the Company's other stakeholders, including the impact of its activities on the community, the environment and the Company's reputation when making decisions. We recognise that promoting the long-term sustainability and success of the Company is intertwined with creating value for, and engagement with, our stakeholders. It is rightfully, therefore, at the core of our business.

Information provided by management is shared with the Board and direct engagement with stakeholders takes place throughout the year. Stakeholder considerations are taken into account as discussions at meetings of the Board and its committees, as well as informally in the day-to-day activities of the business. On pages 28 to 31 we set out who we consider to be our principal stakeholders, including information on our methods of engagement with them, and the impact of such engagement on the Company's decisions and strategies.

The Directors are fully aware of their responsibilities to promote the success of the Company in accordance with Section 172 of the Act. Our intention is to behave responsibly and ensure that management operates the business in a responsible manner, operating within the high standards of business conduct and good governance expected of us.

Engagement with stakeholders

Our stakeholders

Building strong, constructive relationships and engaging regularly are key to ensuring we understand what matters to our stakeholders. Our broad range of stakeholders, representing different and often competing interests, bring informative and diverse perspectives to our decision making. Incorporating those perspectives into our decision-making is a vital part of the execution of our long-term strategy. Our clients, our people and our shareowners are our key stakeholder groups, along with our communities and our suppliers (including our lenders).

Our clients are at the core of our strategic thinking. It is in response to their needs that we seek to deliver 'speed, quality, value' (or 'faster, better, cheaper'). We remain acutely focused on how their needs continue to develop in the always-on 24/7 digital world we all now inhabit.

It is the talent, passion and hard work of our people that enable us to deliver the most effective and imaginative solutions for our clients.

We rely on our shareowners and, to a lesser degree, lenders to finance our activities and the continuing expansion of our business. As such, engagement with them, creating value for them and shaping our future decisions based on the results of our engagement with them is critical to the long-term success of the Company.

What are the key interests of our stakeholders?

- **Our clients** – the provision of first-party data to fuel creative content and digital media planning and digital content, the design and development of digital creative content and provision of programmes to allow our clients to efficiently plan and deliver audience-focused campaigns.
- **Our people** – a positive environment in which our Monks can work, physical and mental health and wellbeing, investment in personal development and career progression, support for flexible and agile working, equal opportunities, inclusion and diversity, promoting equal pay and honest communications.
- **Our shareowners** – robust financial accounts, sustainable, long-term growth in the Company and its share price, sound investment and combination decisions and effective communication of strategy.
- **Our communities** – creation of social value, supporting sustainability initiatives and community employment and education.

- **Our suppliers** – a productive and fair working relationship through collaboration, innovation and shared values.

Our key stakeholders and how we engage with them

Clients

- Our mission for S⁴Capital is driven by engagement with our clients and our mantra of 'speed, quality, value' (or 'faster, better, cheaper').
- We have combined best-in-class practices on a single profit-centre basis, promoting alignment, an integrated service offering and emphasising transparency to clients.

How we engage with our clients

- In today's 'always-on' environment, we work alongside our clients on a day-by-day, hour-by-hour basis, helping them communicate with their audiences in a continuous loop.
- We continuously evolve how we communicate and deliver our services based on client feedback.
- For some clients, we co-locate or embed our people, which not only facilitates clear communication, collaboration and teamwork, but also leaves a light environmental footprint.

Engagement outcome: example

As our financial results show, we continue to build our existing and new client base, with significant assignments from some of the world's top companies and at a local level. Our retention and new business rate is strong, often boosted by cross-practice pitches and referrals. ▶

// We work alongside our clients on a day-by-day, hour-by-hour basis, helping them communicate with their audiences in a **continuous loop** //

Section 172(i) statement continued

People

- Our aim is to grow the world's brightest talent to create a skilled, diverse workplace, producing outstanding work for our clients.
- It is essential that we keep all our Monks engaged, motivated and productive to meet our clients' need for 'speed, quality, value'.
- We therefore have to provide sufficient opportunities, interesting roles and new challenges to enable our people to spend fulfilling careers within the business.

How we engage with our people

- To attract the brightest new talent to our business, our practices offer student outreach programmes, supportive internships and comprehensive inductions for new hires.
- We help our people develop career path development plans, and provide mentoring, training and digital learning, as well as opportunities for international exchanges.
- To assist with the wellbeing and health of our people, our practices provide wellness programmes and support for individuals, all within a strong culture of mutual respect and understanding.
- A diverse and inclusive workplace brings a wealth of cross-cultural advantages to our people and our clients.
- Although we are one of the most gender-balanced companies in the industry, we know there is a general imbalance across the digital world. We are addressing this through proactive female and diversity engagement programmes, supportive internal networks and industry initiatives to change the status quo.

- Our culture is one of openness and transparency, where everyone has a voice and is free to raise questions and issues of concern.
- Our Non-Executive Director responsible for workforce engagement, Rupert Faure Walker, undertakes engagement sessions with our people and ensures that feedback received is reported back to the Board as whole.
- Our unitary structure, with a single P&L, gives our people a sense of common values, shared goals and a collaborative spirit. This leads to the pooling of skills and knowledge and innovative client solutions.

Engagement outcome: examples

- Employee Resource Groups (ERGs) are set up internally by Monks to support and learn from one another, and are actively promoted to advance the understanding and inclusion of Monks with common life experiences. All our people are welcome to join any ERGs. At Media.Monks a variety of ERGs have been organised over the years in many of our global offices, such as WoMMen in Tech, a neurodiversity and disability group, and LGBTQ+ ERG, and one for Monks of colour. The latter, S⁴ Melanin, has grown to be the largest ERG at Media.Monks: expected to grow to 300 by the end of 2022. This global community creates a safe space where Monks of colour can meet and talk about a variety of topics, with the aim of not only helping each other thrive both professionally and personally but also ensuring that everyone's voice is heard.
- In 2021 S⁴ Melanin met with the S⁴Capital board and our Executive Chairman Sir Martin Sorrell about what progress needs to be made and how we are working towards ensuring that our regional offices are reflective of each local population. Because of the transparency provided by S⁴ Melanin we have made it mandatory for all managers to go through the DE&I training. S⁴ Melanin grew from a private support group to a global force that drives more inclusive practices on the local level and is an inspiring example of how ERGs can make an impact, both in everyday interactions in the workplace as well as on a policy level.

// Our unitary structure, with a single P&L, gives our people a sense of common values, shared goals and a **collaborative spirit** //

- In 2021, we also ran our first year of the S⁴ Fellowship, an immersive, four-year paid programme aimed at fostering the next generation of talent by empowering students from traditionally underrepresented communities. The inaugural class of Fellows — three students hailing from historically black colleges and universities (HBCUs) — joined Media.Monks to work alongside and learn from highly-skilled mentors.
- We also ran the first S⁴Women Leadership Program, in collaboration with the Haas School of Business at UC Berkeley in California. Several Media.Monks and S⁴Capital female leaders from all over the world participated in a six-month interactive programme aimed at helping women progress in their careers — with the goal of more female representation at the top.

Shareowners

- Our intention is to behave responsibly towards our shareowners and treat them fairly and equally, so that they may fully benefit from the successful execution of our vision and strategy. It is important that shareowners have confidence in the Company and how it is managed, given their investment in the business. We've recently fallen significantly short of this goal. Our shareowners expected us to report our results in March and they were instead released in May 2022. This delay was partly down to covid-19 and related lockdowns in the Netherlands, but also due to issues with the control environment and the application of reporting standards for revenue recognition in our Content practice. Under the leadership of our new Chief Financial Officer, significant changes to our financial control, risk and governance structure resources are being implemented to try to ensure this doesn't happen again.
 - We rely on our shareowners from time to time to finance our activities and the continuing expansion of our business. Their trust in us is key to sustaining continuous investment and we recognise that we will have to rebuild that trust; and that will take time. Once the delay to our audit was known we contacted all of our shareowners and analysts to explain what was happening and reassure them that we had not announced more information because there was nothing more to announce.
- We will maintain our focus on investor relations until our shareowners' trust is restored.
- Engagement with shareowners gives us a broad insight into their priorities, which influences our own decision making and our strategic direction.
 - We aim to recover all of the value recently lost for shareowners, in the short term, through our commitment to high ethical standards of business conduct, significantly strengthening our corporate governance and continuing to act with integrity so shareowners can regain confidence in the way we do business. In the long term, it is our goal to create significant value for shareowners by providing an appropriate return through long-term growth.

How we engage with shareowners

- The Directors have regular contact with existing shareowners and potential shareowners in S⁴Capital. Sir Martin Sorrell (Executive Chairman), Mary Basterfield (Chief Financial Officer) and Scott Spirit (Chief Growth Officer) and, where necessary, practice heads and others communicate via email, calls and face-to-face meetings with shareowners, although during 2021, given restrictions around covid-19, most meetings were virtual.
- After each quarterly results announcement and major transaction, we have held extensive roadshows with investors such as, Rathbones, Fidelity Management & Research, Jupiter Asset Management, Permian Investment Partners, Aegon Asset Management, Canaccord Genuity, Columbia Threadneedle, Bestinver, Baron Capital and BlackRock. We have also participated in broker-arranged virtual roadshows in London, New York, San Francisco, Frankfurt, Los Angeles and Paris to meet existing and prospective investors as well as some face-to-face roadshows in London.
- All our investor presentations, reports and earnings calls are available on the S⁴Capital website.
- The Directors (including Victor Knaap, Wesley ter Haar and Christopher S. Martin) and D.J. Edgerton (who leads Tech.Monks) also regularly attend investor conferences and invitations from analysts to speak. ►

Section 172(i) statement continued

“ We contribute to society by actively sharing our **talents** and **digital expertise** and offering it to local social initiatives and charity projects ”

- The Directors’ meetings with shareowners serve to keep them informed on the business and allow the Company to gain valuable feedback and advice.
- We value our AGM and general meetings as an opportunity to meet all shareowners and thank them for their support, as well as hear their feedback and perspectives on the Company. Should we look to raise additional equity finance in the future, we will seek to allow existing shareowners to participate where possible.

Engagement outcome: example

It is when there are problems that the value of your engagement with shareowners really shows. Following the announcement of the delay to publication of our preliminary results in the afternoon of 30 March 2022, our share price dropped over 30%. Sir Martin Sorrell, Scott Spirit and Mary Basterfield spoke over the next day or so to all of the Company’s major shareowners and many smaller shareowners too.

Communities

- We contribute to society by actively sharing our talents and digital expertise and offering it to local social initiatives and charity projects.

How we engage with our communities

- Community service in 2021 was mostly focused on responding to covid-19 needs. In India, when the outbreak reached its ultimate high, Media.Monks became a crisis centre to orchestrate help and support. In other countries we continued our community or voluntary service with local schools, teaching code to young people, participating in drives for food, toys and donations at holiday times.

Engagement outcome: example

- Media.Monks partnered with Studio Roosegaarde to produce a film that illuminates how LED lights can be used to speed up growth in plants. Taking place in a Dutch field, the film captures the beauty of agriculture and its sustainable future in an art meets science approach. Showcased at the World Economic Forum and on the BBC as part of the project’s awareness campaign, the film reached over 600 million views.

Suppliers

- We rely on suppliers to help deliver our services to clients and maintain our productivity, as well as helping to make our supply chain as sustainable and diverse as possible.
- Strong relationships with suppliers can bring innovative approaches and solutions that create shared value.

How we engage with our suppliers

- We aim to have a fair and transparent relationship with our suppliers and partners through regular dialogue on performance and CSR matters.

Engagement outcome: example

Our top 20 suppliers publicly disclose a CSR/ESG policy. ■

Principal risks and uncertainties

1

The Board, through the Audit and Risk Committee, has overall responsibility for the risk management and mitigation process.

The Board places a particular emphasis on the scope and nature of the relevant risks when determining how the Group should seek to achieve its strategic objectives.

The Group's strategy is to build a purely digital multinational advertising and marketing services business, initially, given its embryonic origins, by combinations. In the context of future organic- and business combination-driven growth, the Board is prepared to accept a certain level of risk to build a multinational business that is able to compete with established competitors and capitalise on the digitally-led disruption of the advertising and marketing services sector.

The Group's approach to risk is kept under review. The Group's approach to particular risks or classes of risk may change over time as the Group grows and its market evolves.

The Group is run on a unitary, or single profit centre, basis. Many of the risks faced by the Group as a whole, together with its Content, Data&Digital Media and Technology Services practices are similar. The Group therefore seeks to adopt a consistent approach to such risks and to pool expertise in risk management, as appropriate. Nevertheless, the Board considers that it is also appropriate for risk registers to be maintained at the Group level and also at each of the Group's trading businesses.

Senior management at its Content, Data&Digital Media and Technology Services practices are responsible for maintaining risk registers that record the risks that are specific to each business.

The Group is a global one, well suited to the challenges of the international age and adaptable to political and cultural changes. Whilst it is headquartered in London, its business is multinational. Google's announcement that it will be blocking third-party cookies by 2023 (delayed from 2022) presents both a significant opportunity and challenge to the Group, given that several of our programmatic activities are built on top of the third-party cookie. Nevertheless, rather than resisting changes we will adapt to them and seek to find opportunities within them to evolve and we are working closely with Google to find solutions. We have seen a major increase in client interest in our data and analytics capabilities as a result.

Risk movement

The risks and uncertainties faced by the Group continues to evolve as the Group expands and establishes itself in new jurisdictions which present further challenges and risks. As a result, the Board continuously evaluates the movement in the risks outlined on the following pages.

Risks

The principal risks and uncertainties that the Board believes could have a significant adverse impact on the Group's business are set out on pages 34 to 38. ►

Principal risks and uncertainties continued

Risk	Description	Management actions
Economic environment		
<p>Adverse developments in the global economy or the local economies in the territories where the Group has operations could impact the level of demand for the Group's services.</p>	<p>We operate in highly competitive markets, where customer behaviour, needs and demands are evolving due to digitisation, energy efficiency, climate change, government initiatives and the general economic outlook. Failure to react appropriately and rapidly to changes in customer behaviour could result in the erosion of our customer base, leading to reduced revenues and associated margins.</p>	<p>Given the diversity of our customer base and the various industries which we serve, it is generally possible to contain the impact of these adverse conditions. Each business continually reviews its routes to market, changes in customer demands and expectations and cost base so that it can react appropriately to the impact of the wider economy. Any adverse impact on cash flow could be mitigated in the short term by controls over capital expenditure and other discretionary spend.</p>
People and leadership		
<p>The quality of the services provided by the Group's businesses are fundamentally derived from the quality of the Group's people. The Group's performance could therefore be adversely affected if it is not able to recruit, train and retain key talent in the Group's businesses and at the Group level.</p>	<p>A number of individuals are key to the management, performance and execution of the Group's overall strategy. The Directors believe that the loss of key people could significantly impede the Group's financial plans, product development, project completion, marketing and other plans.</p>	<p>We continue to evolve a clearly defined people strategy based on culture and engagement, equality and wellbeing, talent development, training and reward and recognition. The Group has established training, development, performance management and reward programmes to retain, develop and motivate our people. The Group regularly reviews the adequacy and strength of its management teams to ensure that appropriate experience and training is given such that there is not over reliance on any one individual. Furthermore, the Group has continued to develop succession planning as part of the development programmes for our people.</p>
Strategic		
<p>The Group's future results of operation and financial performance are partly dependent on the successful implementation of the Group's strategy. The Group's strategy is to build a purely digital multinational advertising and marketing services business, initially by business combinations and long term through robust organic growth.</p>	<p>In the short and medium term, the success of the Group's strategy will therefore depend on the Group's ability to identify and merge with suitable targets. There is a risk that the Group will not be able to source or complete additional business combinations on commercially acceptable terms or at all. Material management time and Group resources may be allocated to evaluating potential target entities that are not ultimately combined with by the Group. Moreover, when the Group completes combinations, there is a risk that the acquired business may not perform in line with management expectations, or result in the Group's assumption of unforeseen liabilities. As the Group's strategy is to operate on a unitary basis, there is also a risk that the integration of any combined business does not proceed in accordance with management's expectations.</p> <p>The implementation of the Group's strategy is also likely to result in the allocation of Group resources and management time to winning business in new geographies. There is a risk that such new offices fail to perform in line with management expectations.</p>	<p>The Board, making appropriate use of expert advisers where necessary, conducts strategic planning, due diligence and integration planning to ensure that potential business combinations meet the financial and other criteria set by the Board.</p> <p>Management will seek to carry out organic expansion into new geographies in order to meet the needs of an existing client or clients, thereby reducing uncertainty in the start-up phase of any office. Moreover, the Group will seek to scale new sales offices in line with increasing client demand.</p>

Risk	Description	Management actions
Strategic continued		
The Group's strategy envisages that it will continue to grow rapidly. The Group may not have the infrastructure, management time and/or governance structure to be able to grow at the desired speed and/or to fully integrate new businesses into the Group.	If the Group does not grow at the speed proposed in its strategy, or does not successfully integrate new businesses into the Group, this may adversely impact on the Group's financial position and operations. In addition, failure to successfully integrate new businesses could lead to high employee attrition rates and unnecessary combination expenses.	Management regularly review the capacity to grow in line with the Group's strategy and recruit new management team members and employees as required. In addition, the Board monitors the infrastructure and governance arrangements to ensure these are fit for purpose as the Group grows, adapting them as considered necessary. The Group does not plan to solely rely on the acquisition of new businesses for its growth, and management will seek to carry out organic expansion into new geographies or scale existing offices in order to meet the needs of an existing client or clients.
The Group has combined with a large number of businesses, which are being integrated into the Group, and the Group's strategy envisages further combinations. The Group's performance could be adversely affected if the combined businesses are not successfully integrated into the Group.	Having multiple physical offices usually costs more than single unified spaces and retaining additional office space in the same jurisdictions, following combinations, could have a negative impact on the profitability of the Group and a negative ESG impact. A lack of integration between teams could lead to cross selling opportunities or synergies being missed, impacting on the financial position of the Group. In addition, if the people from combined businesses are not integrated into the Group and trained on the Group's policies and procedures, they are less likely to be driving for the single P&L and possibly more likely to leave or not comply with the Group's policies, leading to higher people attrition rates or errors in accounting or legal matters.	Integration remains a bonus metric to encourage the successful integration of combined businesses into the Group. In addition, a dedicated post-combination integration team operates to assist in combination integration.
The Group is dependent on relationships with certain third parties with significant market positions, particularly Google Marketing Platform and the rest of the Google advertising ecosystem and an unnamed telecommunications company (subject to a NDA), but also Amazon and Meta.	Our activities depend in part on services provided by third parties. The Group relies upon the good performance of its suppliers and subcontractors to meet the obligations defined under their contracts. Vendors and supply chain dependencies could negatively impact S ⁴ Capital's operations and security of data, systems, and services.	S ⁴ Capital has a low appetite for dependency on third parties in its critical processes. S ⁴ Capital strives to minimize outsourcing of activities directly related to its core processes or platform to avoid dependency on suppliers. In order to secure supplies of goods and services, the contracts signed with third parties include, whenever possible, clauses for service, continuity and responsibility. Supplier performance is continually monitored and assessed so that supplier development programmes can be launched if performance standards fall below expectations. A supplier relation management programme has been developed with a growing number of strategic suppliers. Also business continuity plans are developed by the Group's different operating entities to ensure the long-term viability of all commercial and operational activities.
As part of the Group's strategy, the Directors intend to identify suitable combination opportunities. The Group may not successfully identify and complete, or, if completed, integrate suitable combination opportunities in the future.	If the Group fails to complete a proposed combination it may be left with substantial unrecovered transaction costs, which could adversely affect subsequent attempts to acquire another target business. When a substantial business operation is acquired by the Group there is no certainty that the Group will be able to successfully implement change programmes within a reasonable timescale and cost, which may adversely impact the Group's business and prospects.	There is considerable knowledge and expertise within the Group with regard to acquisitions. An experienced acquisition team, together with external advisors where appropriate, is involved in all acquisition activity and we have a proven track record of successfully integrating businesses into the wider Group. We perform pre-transaction due diligence and closely monitor actual performance to ensure we are meeting operational and financial targets. Any divergence from these plans will result in management action to improve performance and minimise the risk of any impairments. Executive management and the Board receive regular reports on the status of acquisitions and combinations, with a formal review once per year.

Principal risks and uncertainties continued

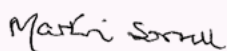
Risk	Description	Management actions
Strategic continued		
<p>The Group conducts due diligence as it deems reasonably practicable and appropriate based on the facts and circumstances applicable to any business combination under consideration. Material facts or circumstances may not be revealed in the due diligence and may surface once the integration starts.</p>	<p>A due diligence investigation could fail to correctly identify material issues and liabilities in a target business, or an investigation could reveal a material risk that the Group considers to be commercially acceptable. Both scenarios could result in the Group subsequently incurring substantial losses.</p>	<p>The Group makes use of expert advisers to conduct due diligence. In addition, warranties and indemnifications are included in transaction documents and/or a W&I insurance is included. Following each business combination a post combination integration team consults with the new business to implement its standards e.g. for financial, legal and tax areas. Finally, the Group integrates the newly combined company into its standard monthly reporting cycle where (financial) risks, if any are identified.</p>
<p>As the Group has been established through combinations, and the Company was only listed on the London Stock Exchange in 2018, the Group's control environment and governance arrangements are relatively in their infancy in comparison to other listed companies, which could negatively impact on the financial position and prospects of the Group.</p>	<p>The Group's control systems and processes and governance arrangements are still developing and any failure in these systems and processes or governance arrangements could cause reputational issues and lead to loss of investor confidence, which in turn could impact on the Group's ability to raise external finance or the financial performance of the Group.</p>	<p>The Group has an Audit and Risk Committee and in FY2021 appointed its first internal control manager. The Company is in the process of developing its internal control function and securing internal audit provision from a large accounting firm. As noted in the Executive Chairman's governance statement, it is currently proposed that the Company adopts the UK Corporate Governance Code in FY2023, thereby formalising the Group's governance expectations.</p>
<p>Google, a key customer to us, recently announced that third-party cookies would be blocked in Chrome by 2023. As a result, in the next 12 months, third-party cookies will become effectively unusable for advertising measurement and many forms of third-party data already challenged by GDPR since May 2018, will cease to exist.</p>	<p>As with many businesses in the programmatic space, a number of our Data&Digital Media services that operate on the open web or across apps and devices were built to some extent on top of the third-party cookies and other identifiers. Examples include programmatic audience activation, personalised retargeting, and multi-touch attribution. These technologies would not work without persistent third-party identifiers and, without changes, parts of our business would have been threatened. The Group has planned for the abolition of cookies to ameliorate the change. However, further similar developments pose a risk to the Group's business.</p>	<p>We continue to move with the market and develop long-term solutions to the 'death of the cookie'. Our efforts fall into three primary categories: realignment of digital media and audiences around so-called 'Walled Gardens', modelled measurement and attribution, and first-party data strategy.</p> <p>Firstly, we are aligning our clients' digital media and audience strategy with that of large-scale 'Walled Garden' platforms such as Amazon, Google and retail media, all of which allow advertisers to leverage consumer data (specifically second-party data) at scale and in ways that are largely unaffected by the 'death of the cookie'.</p> <p>Secondly, we continue to invest in modeled measurement and attribution inclusive of 'top-down' econometric methods (e.g. Market Mix Modelling), 'bottoms-up' machine learning methods, and native platform tools such as Apple's SKAdNetwork or Google's Ads Data Hub clean room. The market broadly agrees there is no single 'silver bullet' solution to cookieless measurement, and so we believe our diverse and comprehensive approach will position our clients for success and minimal disruption.</p> <p>Thirdly, we are helping marketers build first-party data assets and increase the utility of their first-party data, thus reducing their reliance on third-party data sources. We have invested heavily into practice areas across first-party data strategy and consulting, marketing data infrastructure, data science and cloud-driven solutions.</p> <p>As we continue to collaborate with our clients on these and similar initiatives, we are seeing an ongoing acceleration of demand as clients elevate the priority of 'post-cookie' solutions in 2022 and 2023 planning and look to us for education, strategy and solution implementation.</p>

Risk	Description	Management actions
Competitive environment		
<p>The digital media and communication services industry is highly competitive. The Group's revenues and/or margins could be reduced if clients are lost to competitors, competition erodes the Group's pricing power or the economic environment results in lower demand for advertising and marketing services of the type which the Group provides. The advertising and marketing services industry is subject to significant and rapid change.</p>	<p>The Group's competitors include large multinational advertising and marketing communication companies, regional and national marketing services companies and new market participants, such as consultancy businesses and technology companies.</p> <p>It is part of the Group's strategy to exploit the current disruption of the advertising and marketing services industry. Nevertheless, there is a risk that future trends in the advertising and marketing services industry will present challenges to the Group as an incumbent and corresponding opportunities to disruptive competitors.</p>	<p>The Group's strategy is to build a purely digital multinational advertising and marketing services business, initially by combinations.</p> <p>In order to differentiate itself from competitors, the Group is focused on purely digital, end-to-end marketing services.</p> <p>The Group has combined best-in-class businesses on a single profit-centre basis, promoting alignment, an integrated service offering and emphasising transparency to clients. As one of the first such businesses in the advertising and marketing sectors, the Group therefore seeks to capitalise on first-mover advantage and establish durable client relationships that will mitigate against competitive threats in the sector.</p>
<p>Any negative impact on the reputation of and value associated with any of the Group's trading names could have a material adverse effect on its business and results of operations.</p>	<p>The execution of the Group's strategy may fail to maintain the reputation of the Group's trading names. Adverse media comment or difficulty in the provision of the Group's services may damage its reputation.</p>	<p>The Group safeguards reputational risk in other risk disciplines. In addition, the Group works with a transparent and stable business model with solid ratios.</p>
IT and data security		
<p>The Group is subject to a number of laws relating to privacy and data protection governing its ability to collect and use personal information. These data protection and privacy-related laws and regulations are becoming increasingly restrictive and complex and may result in greater regulatory oversight and increased levels of enforcement and sanctions.</p> <p>The European Union's General Data Protection Regulation (GDPR) and, following Brexit, the UK version of GDPR, both provide for fines of up to 4% of global turnover to be levied for breaches.</p>	<p>The privacy laws to which the Group is subject could, in addition to increasing compliance costs, result in investigative or enforcement action against the Group, legal claims, damage to the Group's reputation and the loss of clients.</p> <p>To the extent that data protection regulation and legislation, in the UK, EU or in any other territory, restricts or prevents the Group's clients from using underlying customer data to tailor and target marketing and advertisements, their digital marketing budget and/or expenditure on the Group's services could decrease.</p> <p>A failure of, or breach in, cybersecurity may cause the Group to lose proprietary information, suffer data corruption, or lose operational capacity.</p>	<p>The Group has developed guidelines for compliance with data privacy laws in the territories in which it operates and has structured its service offerings around a core of compliance with data protection and privacy laws. The Group ensures that its people are properly trained on the implications of applicable data privacy legislation.</p> <p>The Group has in place security measures in an effort to prevent malicious cyber attacks.</p>
<p>The Group may be vulnerable to hacking, identity theft and fraud.</p>	<p>Cyber incidents may cause disruption and impact business operations, potentially resulting in financial losses, impediments to trading, violations of applicable privacy and other laws, regulatory fines, penalties, reputational damage, reimbursement or other compensation costs, or additional compliance costs.</p>	<p>The Group has in place security measures and guidelines in an effort to prevent hacking, identity theft and fraud, including the loss of intellectual property.</p>
<p>The intellectual property rights of the Group are important to its business. There is a risk that title to the relevant intellectual property rights has not been properly assigned to the Group. There is a risk that third-party distributors of intellectual property could allege that the Group has not complied with the conditions of a licence.</p>	<p>Employees, sub-contractors or licensors may take action to enforce intellectual property rights against the Group and/or its respective clients. Should such risks materialise the Group may be subject to litigation or incur reputational damage which could have a material adverse effect on the Group.</p>	<p>The Group has developed confidentiality and proprietary information agreements with our employees and partners.</p>

Principal risks and uncertainties continued

Risk	Description	Management actions
Financial, regulatory, sanctions and taxation		
The Group has exposure to credit risk through the default of a client or other counterparty.	<p>The Group's operating business are generally paid for their services in arrears. Accordingly, the Group is therefore exposed to the risk that a client or other counterparty is unable to pay all or any of an amount due to the Group.</p> <p>A relatively small number of clients make up a significant percentage of the Group's debtors. Failure by a client or other counterparty to pay the Group in accordance with agreed contractual terms may result in costs and expenses arising in connection with legal action to recover any such debts. If such debts are not paid in full and in a timely manner, the business, revenues, results of operations, financial condition and prospects of the Group could be adversely affected.</p>	<p>The Group makes credit checks and monitors its exposure to individual clients and negotiates payment terms in light of the credit worthiness of its counterparties.</p> <p>The Group is cash generative and the Board maintains focus on the Group's working capital needs.</p>
The Group does and expects to continue to generate a significant proportion of its revenue in US dollars and other currencies. There is a risk that any significant movement in foreign exchange rates between Pound Sterling and other currencies in which revenue is generated could have an impact on the Group's results and financial position.	<p>Changes in exchange rates between euros and other currencies could lead to significant changes in the Group's reported financial results. There is no assurance that arrangements made to manage this risk will be sufficient to reduce the material adverse effect foreign exchange fluctuations could have on the Group's business, financial condition, results of operations and prospects.</p>	<p>The operating cash flows provide a natural hedge since payouts to suppliers and employees are included in the same currency. Cash balances are monitored on a daily basis and any surplus is frequently converted into the currency needed.</p>
The Group is and will continue to be subject to strict anti-corruption, anti-bribery and anti-trust legislation and enforcement in the countries in which it operates.	<p>The Group may operate in a number of markets where the corruption risk has been identified as high by organisations such as Transparency International. Failure to comply or to create a corporate environment opposed to corruption or failing to instil business practices that prevent corruption could expose the Group and senior officers to civil and criminal sanctions.</p>	<p>The Group has a strict anti-bribery and corruption policy on which it is training all of its people.</p>
The Group may be subject to regulations restricting its activities or effecting changes in taxation.	<p>Changes in local or international tax rules, for example prompted by the OECD's Base Erosion and Profit Shifting project (a global initiative to improve the fairness and integrity of tax systems), changes arising from the application of existing rules, or new challenges by tax or competition authorities, for example, the European Commission's State Aid investigation into the UK tax relating to overseas subsidiaries may expose the Group to significant additional tax liabilities, which would affect the future tax charge.</p>	<p>The Group takes external professional advice on its group structuring, including in relation to its acquisitions and does not participate in overly-aggressive tax planning strategies.</p>
The Group is and will continue to be subject to the laws of the UK, the US, the EU and other jurisdictions that impose sanctions and regulate the supply of services to certain countries.	<p>Failure to comply with these laws could expose the Group to civil and criminal penalties including fines and the imposition of economic sanctions against the Group.</p> <p>This could cause reputational damage and withdrawal of banking facilities, which could materially impact the Group's financial position and prospects, as well as its ability to execute its strategy.</p>	<p>In addition to external professional advice, the Group has a transfer pricing policy in place for both practices.</p>

The Strategic Report on pages 8 to 38 was approved by the Board of Directors on 14 May 2022 and signed on its behalf by:



Sir Martin Sorrell
Executive Chairman



Mary Basterfield
Group Chief Financial Officer



On the **horizon**

2

Industry outlook

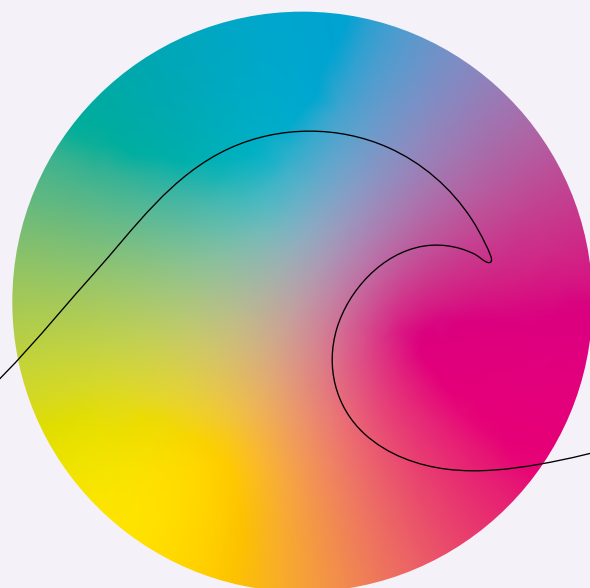
40 **A perfect storm**
By Sir Martin Sorrell

A perfect storm

By Sir Martin Sorrell

We began 2022 optimistically, thinking global GDP growth, at least for 2022, would be 4-5%, on top of 5-6% for 2021, reflecting the bounce-back from the slump in 2020 and driven by the huge, global, co-ordinated covid-19 monetary and fiscal stimulus totalling around \$10-15 trillion. In fact, we were moving towards the eye of a rapidly gathering tempest.

Since then, the economic consequences of the pandemic on supply chains and employment, rampant inflation, increasing interest rates, the bitter and vicious war in Ukraine and new zero-covid lockdowns in China have conspired to create a perfect storm in which growth forecasts are downgraded and risk in some parts of the world is being elevated. The strong bounce-back previously expected this year will be dampened and over the horizon in 2023, the clouds look even darker. At S⁴Capital we'll trim our sails accordingly and won't be blown off course. But navigation will, as ever, be challenging.

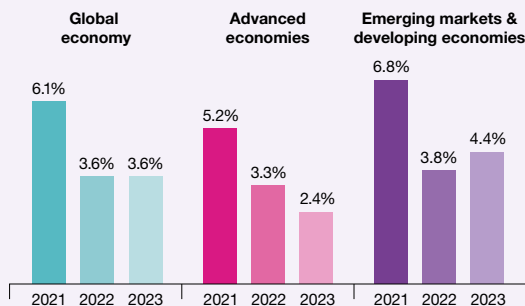


Inflation rising, growth in retreat

The IMF, in common with other forecasters, has cut its projection for global GDP growth this year to 3.6% from almost 5% six months earlier. Behind this move is a sequence of events: the necessary withdrawal of stimulus by central banks in the wake of covid-19; the rise in interest rates to counter a growing surge of inflation; Vladimir Putin’s decision to attack Ukraine; and the mounting challenge faced by China’s zero-covid policy. The world now finds itself in a more precarious place than most people imagined at the end of 2021; Goldman Sachs has estimated a 35% risk of recession in the next two years. Former US Treasury Secretary Larry Summers was prescient in foreseeing the inflationary effect of pandemic stimulus and central bankers’ worries have pivoted from unemployment to rising prices and wages. Spurred by energy prices, inflation in the US this year is tipped by the IMF at 7.7%, its highest level in decades. That is all compounded by labour shortages ensuing

from the Great Resignation or Reshuffle and continuing supply chain disruption, especially in areas such as chips for cars. The war in Ukraine means risk for Central and Eastern Europe. But with that comes greater willingness to take risks in other regions – South East Asia, India, Indonesia, Vietnam, Thailand, The Philippines, the Middle East, Africa and North and South America. China’s lockdown in Shanghai, meanwhile, has highlighted that country’s covid-19 policy and could further exacerbate global supply chain issues. So what does all this mean? Less robust economic growth is important as it’s one of the drivers of S⁴Capital’s growth. However, the burgeoning commitment in Europe to increasing defence budgets – Germany is a good example – will pay dividends for tech companies, especially as cyber is now a vital part of military capability, as will the increasing demand for digital transformation as global GDP growth slows. ▶

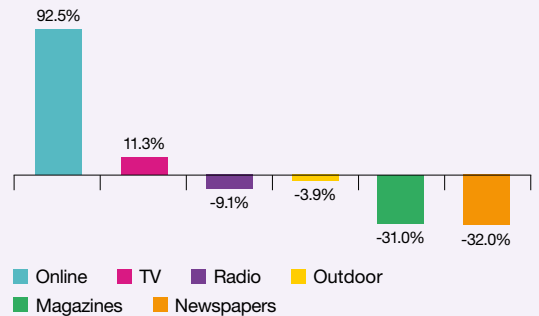
World economic outlook growth projections



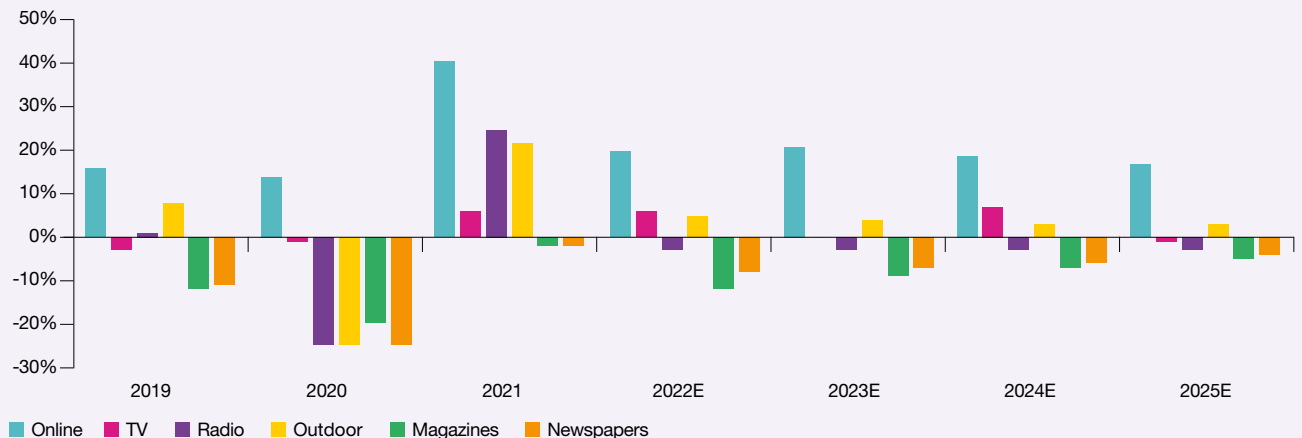
Source: IMF, April 2022

US advertising revenue estimates

Increase in advertising revenue 2022E vs 2019



Advertising revenue year-on-year growth



E: Estimate Sources: Company reports, MoffettNathanson estimates and analysis

A perfect storm continued

Our market

\$231bn

Data analytics market - \$231bn in 2021, forecast to reach \$550bn in 2028 (13.2% CAGR)¹

23.2%

Virtual events market size was \$114bn in 2021 and is predicted to grow to \$505bn in 2028 (CAGR 23.7%)²

35%

11.2m AR/VR headsets shipped in 2021 with 92% YOY growth. Annual shipments will reach 50m in 2026 with 35% CAGR³

16.9%

Global marketing technology software market size of \$56.5bn with an 8-year projected CAGR of 16.9%⁴

\$6.8trn

Digital transformation: 65% of the world's GDP set to be digitalized by 2022 and direct digital transformation (DX) investments to total \$6.8 trillion between 2020 and 2023⁵

\$1trn

The market opportunity for bringing the Metaverse to life may be worth over \$1 trillion in annual revenue⁶

\$113.4bn

World's 25 biggest agency companies had combined revenues of \$113.4bn in 2020⁷

62%

Digital advertising spend takes a 62% share in 2021, worth \$432bn and growing at 29%⁸

27.6%

Global ecommerce sales rose 16.8% to \$4.92trn in 2021⁹

Sources:

1. Big Data Analytics Report, Fortune Business Insights, Dec 2021
2. GrandView Research, Virtual Events Market Size 2021, 8 Jul 2021
3. IDC AR/VR Headset Tracker, Mar 2022
4. GrandView Research, Digital Marketing Software Market Size 2021, 8 Jul 2021
5. IDC FutureScape: Worldwide IT Industry 2021 Predictions
6. The Metaverse, Grayscale Research, Nov 2021
7. AdAge, Mar 2021
8. MoffettNathanson Advertising Spend Model, Mar 2022
9. eMarketer Global eCommerce Update, Jan 21

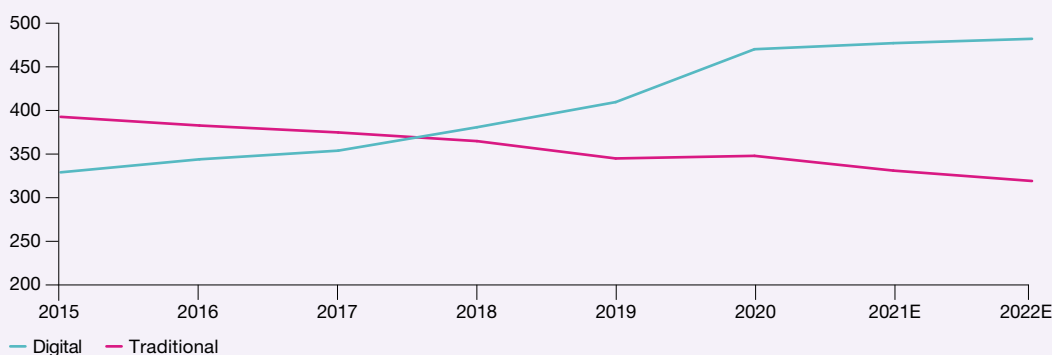
Digital is in control

The global economy drives growth in our markets. The total market we address is worth between \$2 trillion and \$3 trillion: advertising media is approximately \$650 billion; marketing services \$550 billion; trade budgets around \$700 billion; and digital transformation budgets another \$500 billion. Overall, our markets probably grew by 15-20% in 2021, but the significant point is that nearly all that growth was digital. In media advertising, the increase in spending with Google, Meta and Amazon alone was over \$100 billion in 2021. At S⁴Capital our revenues grew by around 52% in 2021, and it looks as though the digital part of the industry will continue its growth trajectory over the next two or three years.

Industry analyst Michael Nathanson has carried out an important analysis which shows that advertising spend as a proportion of GDP shrank from 2% to 1%, over the last 5-7 years, but in the last couple of years it has started to increase again. He forecasts it will reach 1.75% by 2024-25, and all that growth is going to come from digital. The traditional areas of free-to-air TV, network TV, radio, newspapers and magazines will stay flat, or decline, but digital will continue to grow. As we are digital-only we will benefit and we are increasing our share of the market. ►

Time spent per day with digital vs traditional media in US

Minutes



E: Estimate
Source: Statista.com

Growth in our addressable markets %

	2019	2020	2021	2022F	2023F
Total media spend ¹	5.2%	-1.8%	19.8%	9.8%	8.8%
Digital media spend ²	19.0%	13.0%	29.3%	14.1%	13.8%
North American digital spend ²	15.9%	12.2%	38.2%	19.2%	20.0%
Digital transformation spend ³	18.0%	11.0%	14.5%	20.0%	16.7%
Cloud growth ⁴	28.8%	33.4%	36.1%	34.3%	27.9%
MarTech growth ⁵	35.9%	32.6%	37.4%	32.0%	34.0%
Holding company growth ⁶	0.4%	-8.1%	11.0%	5.4%	3.4%
Tech Services growth ⁷	27.6%	20.4%	40.3%	35.2%	25.9%
S ⁴ Capital growth ⁸	44.0%	19.0%	44.0%	25.0%	25.0%

F: Forecast

Sources:

- MoffettNathanson
- MoffettNathanson
- <https://www.statista.com/statistics/870924/worldwide-digital-transformation-market-size/>
- Morgan Stanley for Google, Azure, AWS
- Morgan Stanley for Salesforce (Subscription), Adobe
- MoffettNathanson
- Cowen
- S⁴Capital

A perfect storm continued

Our latest three-year plan calls for us to double both top and bottom lines over the next three years, implying annual growth of 25%. If anything, the pace of digital transformation may speed up when the economy slows down, because in tough times, the change agents inside companies are given more oxygen.

Our third pillar

In 2021 we started a new practice area, Technology Services, to sit alongside our existing businesses in digital content; and data, analytics and digital media. We combined with Zemoga, which started in Colombia and now has technology specialists located all across the US, helping companies to digitally transform their business. We've already seen a really encouraging lift in terms of revenues generated from their client base. Technology services moves us into a new market where we are competing with firms like Globant and Accenture, who are rated more highly in terms of stock market value. It broadens our reach into client companies: as well as talking to the CMO or the chief sales officer, we'll now be talking to the CTO and the CIO as well. It means we become involved in systems integration, working with the likes of Salesforce and Oracle as well as with Adobe. Now we can talk to clients about what we do on the sell side, what we do on the marketing side and what we do on the IT side and bring it all together as one.

// Now we can talk to clients about what we do on the sell side, what we do on the marketing side and what we do on the IT side and bring it all **together as one** //

Clients and whoppers

I went to a procurement conference recently and I was surprised that the tone was notably cautious, when in fact most clients have had a very good last couple of years. In fact, clients spent heavily in the fourth quarter, notwithstanding supply chain difficulties and other challenges. When I was on the stage at Web Summit last year with two senior marketing executives from Mars and Suntory, both said they are now using larger numbers of agencies and they agreed with our thesis around the importance of agility, and of taking back control. There's a tremendous propensity to experiment. The old days of the fixed TV commercial have gone and it's no longer about having the perfect piece of content. Instead, you develop assets in an iterative process that we see as being like an election campaign; brands have to get elected every day. Our 2020 target – to develop 20 'whoppers' or clients with \$20 million of revenue – is on track and last year we added two more, Meta and HP, to our existing group which includes Google, a major tech company (with whom we've signed an NDA), BMW and Mondelez. That's been achieved primarily through our 'land and expand' strategy rather than through competitive pitches. We've identified another 19 that we think have the potential to become whoppers over the next three years. About 50% of our revenue comes from tech companies, and the reason for that is we work more effectively with the companies that look at the sky rather than those who look at their boots. In what we might call 'analogue' companies, people have tended to be more frightened of change in response to events like the pandemic or slowing GDP growth but – ironically – I think they will be more willing to do so in future.

From cookies to consent

Google's resolve on third party cookies and Apple's IDFA decisions have been creating a lot of uncertainty and fog in the digital ecosystem – if there was a VIX index for marketing it would have gone through the roof. It has forced clients to think about alternatives and the implications of what's happening in a more concerted way. Google has made a very astute decision from a privacy point of view, which is to rein back on the sale of third-party data, (unconsented), and focus on first-party data, (consented). And already some of the big retailers, such as Walmart and Target, are building their own walled gardens.

// The single brand emphasizes our **shared heritage** in creative content and data & digital //

For us, this is a big growth area. In our early days, we looked at several big data companies, but we thought they were overpriced, and so we concentrated on building our own capability through merging with around half a dozen smaller analytics companies, including Digodat in Argentina, Datalicious in Korea and Australia, Brightblue in the UK; now we have our own worldwide network. The challenge for clients is that they have pools of first-party data that still aren't integrated. Either they've grown organically and they've had CIOs or CMOs developing different systems; or they've acquired companies with data systems that don't talk to one another. Their challenge is to bring all that data together; the opportunity for us is to be the system advisor and integrator and help them make sure that the data lakes flow into one another.

The one and only

Our unification strategy to bring all our businesses together under the 'dot monks' brand is now fully implemented. Wes ter Haar took the lead and did a brilliant job in execution. (Others have struggled to bring even two brands together.) And that was because we spent a lot of time on it, working with our entrepreneurial leaders and our key clients. MediaMonks and MightyHive became Media.Monks with a dynamic logo featuring MightyHive's iconic hexagon. As a branding device it gives us great flexibility in how we can apply it. You can be anything.monks: tech.monks, lux.monks, data.monks, even China.monks. It's a great way of expressing what you are doing. The single brand emphasizes our shared heritage in creative content and data & digital and brings together our 8,400 digital-first experts under one roof, working as a single P&L across 33 countries. Unification is not an easy thing to do. When the holding companies make acquisitions, the trade is: you retain your autonomy and independence, and the holding

companies will look after the back office. What we offer is that in surrendering your brand you become truly part of something bigger. And you have more space in doing that. If you want to develop social inside the company, or if you want to expand into the Americas, then you can do that. The companies we merge with do so for four reasons. They want access to peak talent; and on that score we have 8,400 digital specialists. They want access to geography; so we've made it possible for almost anybody to plug into our platform around the world. They want access to capital, which we have, (albeit not in unlimited supply). And they want access to clients. Whilst we can't promise that they'll win business we can help to develop those relationships so they have every opportunity to do so.

Shape shifting

As a company our business is currently segmented two-thirds content, and one-third data & analytics and digital media. Technology services will be small initially, but we'll try to expand it rapidly. From a geographical point of view, the split is approximately 70% The Americas, 20% EMEA and 10% Asia Pacific. By that measure I'd like to get to a 60/20/20 breakdown. So we need to do a lot more in technology services and put more weight into Asia Pacific. I'd like to double up, triple up, maybe even quadruple up in China – and India is also as important. But one of our biggest commercial concerns remains: how do you viably operate in the world's second biggest economy, an economy that will soon be the biggest? China has changed; President Xi is pursuing a different course, a much more hardline course, just as Presidents Obama, Trump and Biden have done from the US side, which means the countries are diverging in a dangerous way. ►

A perfect storm continued

And China's Millennials are not as pro-Western as they used to be. What this means is that the structure must be fashioned to meet these new conditions, and that may mean it has to be more local.

After covid-19

Omicron showed that the pandemic is not over completely, but I think it will just push back some of the expectations in terms of growth and recovery by a few months. Going forward, we are going to adopt a hybrid model in how we work. We noticed last year that people were thirsting for more social contact. Productivity remained very good when people were working from home, but the problem started to assert itself and cause some angst. It was not so much about creative spark, as simply wanting to see your confreres or consoeurs and get together with them. We still think we must be very flexible, so the template that we're using as we renegotiate our leases is to take 60% of the space we had before. That implies people will be in the office three days a week; it will be phased, but with considerable flexibility. We think it is important to come in, because we've gone from around 2,500 people before the pandemic to 8,400 now, and many of those people don't know one another, so it's important they get the chance to do so. People have been isolated, and that's not a good thing.

Doing the right thing

The world in which we operate is increasingly dominated by issues such as environment, governance, diversity and social responsibility. We've said that we will be net zero by 2024 with the help of carbon offsets and we are close to that. We're making progress on our objective to achieve B Corp accreditation. We've signed both Amazon's Climate Pledge and the World Economic Forum pledge, among other commitments in the climate and environmental area. In terms of governance, we're having to build out our structures in terms of legal compliance, risk and other disciplines because we've gone from zero to a £1.7 billion/\$2.1 billion market cap in a short time. On the diversity and inclusion side, we've implemented our Fellowship programme. We had our first flight of fellows from the historically black universities like Howard and Morehouse and we are expanding it to black high schools.

// It's a revolution that has no end in sight //

We've also put our first flight of some 50 candidates through our S⁴ Women's Leadership program at UC Berkeley. If you look at our diversity it is broadly balanced, but at the top levels it's only one third female. And from an ethnic point of view, we are 40% people of colour – we do very well on Hispanic and Asian American ethnicities, but we are around 6% or 7% black, whereas to represent the community in the US it should be 13%. In California we are representative, in New York we are not yet. But we are making progress.

The metaverse and beyond

Technology is fashioning an exciting new world in the form of the metaverse. We were heavily involved in the Meta Connect conference where Mark Zuckerberg launched the group's strategy and its change of name, and with the likes of Apple and Microsoft joining in we think the metaverse throws up tremendous opportunities. One key area is ecommerce: a company such as Nike or Adidas will create a virtual store, and through your avatar you will be able try on the shoes, see what you look like, and order them. The workplace is another area where the metaverse will lend itself to application because of the fact that you can be anywhere. Last October S⁴Capital held its first Executive Committee meeting in our 360 degree boardroom in the metaverse, using VR technology. We are heavily involved in exploring the potential of other nascent technologies such as Epic Games' Unreal Engine.

S⁴Capital was established with the ambition to be the leading player in the new era of tech-led, digital-only advertising; it's a revolution that has no end in sight. ■

Business stewardship

3

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Board of Directors



Sir Martin Sorrell

Executive Chairman

Age: 77

Date of appointment to the Board:
28 September 2018

Nationality: British

Sir Martin was Founder and CEO of WPP for 33 years, building it from a £1 million 'shell' company in 1985 into the world's largest advertising and marketing services company. When Sir Martin left in April 2018, WPP had a market capitalisation of over £16 billion, revenues of over £15 billion, profits of approximately £2 billion and over 200,000 people in 113 countries. Prior to that, Sir Martin was Group Financial Director of Saatchi & Saatchi plc for nine years and worked for James Gulliver, Mark McCormack and Glendinning Associates before that.

Sir Martin supports a number of leading business schools and universities, including his alma maters, Harvard Business School and Cambridge University and a number of charities, including his family foundation.



Wesley ter Haar

Executive Director

Age: 43

Date of appointment to the Board:
4 December 2018

Nationality: Dutch

Wesley ter Haar is the founder of MediaMonks. Under his ongoing leadership for nearly 20 years, Wesley has sought to wage war on mediocre digital production, growing MediaMonks from a humble production house into an end-to-end creative and production partner, through aggressive expansion and many combinations throughout the years.

Always looking to bring creative triumphs to justice, Wesley is the inaugural president of Cannes Lions' Digital Craft jury and today serves on the Cannes Titanium Jury, which celebrates game-changing creativity. In 2018, ter Haar earned a coveted spot on the AdAge's 2018 Creativity All-Stars list and was inducted into the ADCN Hall of Fame in 2018. He is a board member of SoDA (The Digital Society).



Victor Knaap

Executive Director

Age: 44

Date of appointment to the Board:
4 December 2018

Nationality: Dutch

One of the world's top 100 digital marketers, according to The Drum, Victor Knaap joined Media.Monks in 2003. He has helmed the company's expansion across continents and areas of expertise ever since.

In addition to his business acumen, Victor is a sought-after speaker, opinion leader, investor and philanthropist. Next to his leadership at Media.Monks, Victor is part of the charity 100WEEKS, NL2025's mentoring program, and occupies a seat on the advisory board member of IAB NL – the independent trade association for digital advertising and marketing innovation – and is a board member of the UN Global Compact Board in The Netherlands. He is also involved with Dutch Digital Design, the initiative promoting the visibility of the best Dutch digital work.



Pete Kim

Executive Director

Age: 48

Date of appointment to the Board:
24 December 2018

Nationality: American

Pete is an experienced advertising technology executive with over a decade of industry leadership experience and has served as CEO of MightyHive since its founding in 2012.

Pete was formerly Head of Business Development for Google's Media Platforms, and Director of Product Management at Yahoo!, where he helped pioneer the use of dynamic creative in marketing.

Board of Directors continued



Christopher S. Martin

Executive Director

Age: 44

Date of appointment to the Board:
24 December 2018

Nationality: American

Now spearheading the Data&Digital Media practice for S⁴Capital after co-founding MightyHive in 2012, Christopher has built a career leading successful operations and client services organisations in technical fields having earned his Bachelor of Science degree in Computer Engineering and MBA from The Wharton School.

Christopher held multiple leadership positions within Yahoo! including the Corporate Controllership, Advanced Ad Targeting Products and latterly Mergers & Acquisitions focusing on the integrations of Dapper, 5to1 and interclick.



Mary Basterfield

**Executive Director and
Group Chief Financial Officer**

Age: 48

Date of appointment to the Board:
3 January 2022

Nationality: British

Mary joined S⁴Capital as Group Chief Financial Officer in January 2022. Prior to S⁴Capital, Mary was Group Finance Director at Just Eat PLC, where she led the finance team through the Class 1 combination with Takeaway.com. Her experience spans e-commerce, media, strategy and financial management of businesses undergoing rapid growth and change. Her previous roles include CFO at UKTV and CFO for Hotels.com at Expedia Group Inc.

Other current appointments:

- Non-Executive Director, Vice Chair, SID and Audit Chair for the Royal Free London NHS Foundation Trust



Scott Spirit

Executive Director and Chief Growth Officer

Age: 45

Date of appointment to the Board:
18 July 2019

Nationality: British

Scott is focused on clients, mergers and acquisitions and investor relations, and is based out of the Group's newly opened Singapore office. Scott joined from Artificial Intelligence company, Eureka AI, where he continues to act as a board member and adviser.

Previously he worked at WPP plc for 15 years, latterly as Chief Strategy and Digital Officer. Scott was also a director of Nairobi-listed WPP-Scangroup PLC. Prior to his time at WPP he worked at Deloitte and Associated Newspapers.



Elizabeth Buchanan

Non-Executive Director

Age: 47

Date of appointment to the Board:
12 July 2019

Nationality: Australian

Elizabeth is a proven tech and business leader with passion for transformation and a bias for action. Having spent more than 25 years of experience with major brands including Yahoo!, Uber and Omnicom, Elizabeth is currently the Chief Commercial Officer at ecommerce technology unicorn, Rokt.

Elizabeth was one of the founding team of Rokt in 2012. During a break from Rokt, Elizabeth held the role of President of Global Transformation within Omnicom. Elizabeth is a proven entrepreneur having founded (now named) whiteGREY in Australia in her twenties, which she built from a startup into the most revered digital full-service agency in the country. Elizabeth successfully exited the business when she sold it to STW Group (now WPP), and it continues to thrive today.

Other current appointments:

- Board member of NGO Vital Voices Global Voices

Board of Directors continued



Rupert Faure Walker

Non-Executive Director

Senior Independent Director

**Chairman of the Audit and
Risk Committee**

**Member of the Nomination
and Remuneration Committee**

Age: 74

Date of appointment to the Board:
28 September 2018

Nationality: British

Rupert qualified as a Chartered Accountant with Peat Marwick Mitchell in 1972. He joined Samuel Montagu in 1977 to pursue a career in corporate finance. Over a period of 34 years Rupert advised major corporate clients on mergers, acquisitions, IPOs and capital raisings, including advising WPP on its acquisitions of JWT, Ogilvy & Mather and Cordiant, together with related funding. He was appointed a director of Samuel Montagu in 1982 and was Head of Corporate Finance between 1993 and 1998.

He was a Managing Director of HSBC Investment Banking until his retirement in 2011.



Margaret Ma Connolly

Non-Executive Director

Age: 49

Date of appointment to the Board:
10 December 2019

Nationality: American and Chinese

Margaret is President & CEO of Asia, Informa Markets, overseeing its businesses in mainland China, Japan, India, Korea, Hong Kong and ASEAN, a portfolio of more than 250 brands, which include industry-leading exhibitions and digital services across 13 countries. Margaret joined UBM in 2008, before its combination with Informa in 2018.

In the last 12 years, she has spearheaded multiple milestones in key market sectors and successfully grown the business through organic development and strategic partnerships. Prior to this, she held senior positions at TNT and Global Sources, and is the co-founder of the leading online expat community ShanghaiExpat.com. Margaret is a member of Common Purpose Dao Xiang advisory board and received an MBA degree from Oxford Brookes Business School.



Naoko Okumoto

Non-Executive Director

Age: 55

Date of appointment to the Board:
10 December 2019

Nationality: Japanese

Naoko is the Managing Partner and Founder of Niremia Collective, a wellbeing technology fund and leads the investment strategy along with the global community building. She is also the CEO of Amber Bridge Partners, an advisory firm specializing in cross-border business development, investment and operations.

Prior to founding Niremia Collective, she drove US investment and collective impact community building for Mistletoe, a social impact fund founded by Mr. Taizo Son, and was an Executive Advisor at Z Corporation, a blockchain focused fund created by Softbank/ Yahoo Japan. She was also a founding partner at World Innovation Lab (WiL), a Silicon Valley/ Tokyo based venture capital. She was the Vice President of Strategic Partnership Management at Yahoo Inc. where she managed Yahoo's joint ventures and grew annual revenues from \$16m to \$520m.

Other current appointments:

- Board member at CoinDesk Japan and EdCast
- Board advisor at Transformative Technology (NPO)



Daniel Pinto

Non-Executive Director

Age: 55

Date of appointment to the Board:
24 December 2018

Nationality: French and British

Daniel Pinto is the Founder, Chairman and CEO of Stanhope Capital, the global investment management and advisory group overseeing approximately US\$30 billion of client assets. He has considerable experience in asset management and merchant banking having advised prominent families, entrepreneurs, corporations and governments for over 25 years.

Formerly Senior Banker at UBS Warburg in London and Paris concentrating on mergers and acquisitions, he was a member of the firm's Executive Committee in France. He was also Chief Executive of a private equity fund backed by CVC Capital Partners. Daniel founded the New City Initiative, a think tank comprised of the leading independent UK and European investment management firms. He is the author of *Capital Wars* (Bloomsbury 2014), a book which won the prestigious Prix Turgot (Prix du Jury) and the HEC/Manpower Foundation prize.

Other current appointments:

- Director of Soparexo (Holding of Chateau Margaux)
- Director of the Independent Investment Management Initiative (IIMI)

Board of Directors continued



Sue Prevezer QC

Non-Executive Director

**Member of the Audit
and Risk Committee**

**Member of the Nomination
and Remuneration Committee**

Age: 63

Date of appointment to the Board:
14 November 2018

Nationality: British

Sue is a qualified solicitor and barrister at Brick Court Chambers, where she practices as an arbitrator and mediator. She has over 30 years of experience of arguing and managing large complex commercial cases at every level of the UK judicial system and in arbitration.

From 2008-2020, Sue was Co-Managing Partner of law firm Quinn Emanuel Urquhart & Sullivan (UK) LLP where her clients included major corporates, funds, investors, trustees, office holders and high net worth individuals, for whom she managed complex, high value, domestic and international litigation. Sue has particular expertise in company, insolvency related, securitisation and restructuring litigation.

Other current appointments:

- Chair of the Trustees of The Freud Museum
- Director at the Hampstead Theatre



Peter Rademaker

Non-Executive Director

Age: 58

Date of appointment to the Board:
4 December 2018

Nationality: Dutch

Peter joined MediaMonks as CFO in September 2015 with over 20 years' experience as a financial officer in the media and entertainment industry. Before joining MediaMonks, he was CFO, and later CEO, at CMI Holding BV. Prior to this, he held various CFO positions at prominent Dutch media companies including Eyeworks and Talpa.



Paul Roy

Non-Executive Director

Chairman of the Nomination and Remuneration Committee

Member of the Audit and Risk Committee

Age: 75

Date of appointment to the Board:
28 September 2018

Nationality: British

Paul has over 40 years' experience in the banking, brokerage and asset management industries. In 2003, he co-founded NewSmith Capital Partners LLP, an independent investment management company, which was acquired by Man Group in 2015.

Prior to that, he was Co-President of Global Markets and Investment Banking at Merrill Lynch & Co and had responsibility for worldwide Investment Banking, Debt and Equity Markets. He was previously CEO of Smith New Court Plc, a leading market making and brokerage firm on the London Stock Exchange. Between 2007 and 2013, Paul served as Chairman of the British Horseracing Authority, responsible for governance and regulation of the sport.



Miles Young

Non-Executive Director

Age: 67

Date of appointment to the Board:
1 July 2020

Nationality: British

Miles joined what was then the 'advertising' business from Oxford in 1973, eventually moving to Ogilvy & Mather. After a period in the Asia-Pacific region, based in Hong Kong, and working especially in China, he moved to New York in 2008 as Chief Executive, then Chairman of Ogilvy & Mather Worldwide. From then until 2016 he led a period of strong client growth and creative success.

In 2016, he returned to his Alma Mater of New College in Oxford, where he is Warden. He is President of the Oxford Literary Festival and Chair of the Oxford Bach Soloists, amongst other voluntary activities.

Executive Chairman's governance statement



On behalf of the Board, I present the Group's governance statement for the year ended 31 December 2021.

By
Sir Martin
Sorrell

As the Company has a Standard Listing, it is not formally required to comply with the UK Corporate Governance Code (July 2018) issued by the Financial Reporting Council ('the Code'). The Company has, therefore, not formally adopted the Code (or any other corporate governance code), although the Board does keep in mind the provisions and principles of the Code when making governance decisions. As the Group was formed from Dutch and US headquartered businesses, and has made many international business combinations, it was not initially considered appropriate to adopt the Code. However, the Directors have kept the matter under review and it is currently proposed that the Company adopt the Code in FY2023, and preparations to do so are under way.

The Board has a Nomination and Remuneration Committee and an Audit and Risk Committee, both comprised of independent Directors. The terms of reference of these committees are available on the Company's website, www.s4capital.com.

We believe that governance, especially in relation to environmental and social issues, is critical to good business and we are committed to upholding the ethical standards to which our people and clients aspire.

2021 was another transformational year for your Company, with 10 further business combinations taking place, but recent events have brought that transformation into focus. Whilst we consider our governance appropriate for a company of our size and ambition and commensurate with the growth we are experiencing, the delayed completion of our audit for 2021 has highlighted there were deficiencies in our internal controls and our ability to produce timely information. We must do and will do better.

We had already recognised that more investment was required in our finance team. One of Mary Basterfield's objectives when she was appointed in January 2022 was to consider the structure of the finance team globally and to add to it where required. We had several senior personnel changes in the finance team of our Content division during 2021 which undoubtedly didn't help the evolution of our internal controls. We have since appointed a new CFO for our Content practice and a new Group Financial Controller alongside a number of other senior hires within the Content practice and at Group level.

The Board intends to build out the Company's internal control team and is in the process of securing internal audit provision from a large accounting firm.

We have recently recruited a new executive to lead the further development of our compliance and governance structure and have set a target for the end of 2022 for any changes to be implemented. As the Company continues to expand into new jurisdictions and welcomes new people and clients, we will strive to ensure that our governance structures remain appropriate and effective so as to keep pace with such changes.

Our commitment to achieve high standards of governance influences the composition of the Board as well as the way it and its committees operate. I have held the role of Executive Chairman of the Company since 28 September 2018 and during the year there were six other executives on the Board, ensuring that there was a substantial and robust challenge to my voice. Pete Kim and Peter Rademaker have both decided not to seek re-election at the AGM. I would like to thank them for their historic contributions to the development of MightyHive Inc. and Media Monks. Following the AGM, we are proposing that our Board will be comprised of our existing eight independent Non-Executive Directors, a new independent Non-Executive Director who will chair our Audit and Risk Committee, myself and the five other Executive Directors. We hope to announce the new Non-Executive Director in short order. Together, that will provide a team who bring vast and differing experiences of the corporate world, knowhow and reputations as sage advisers. Our Board, which is designed, and willing, to challenge me, will help ensure that, even though S⁴Capital is my creation, it will continue to be crafted for the benefit of shareowners. The Board has discussed the scope of my role and remains satisfied that it is appropriate for me to continue to act in a combined capacity as the Executive Chairman.

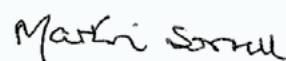
We were delighted to welcome Mary Basterfield to the Board in January 2022. Mary has had over 20 years of extensive financial experience at Sony Music, Warner Music, Dentsu Aegis, Expedia, UKTV and, most recently, Just Eat. We will continue to review the effectiveness of the Board and that of its committees on an annual basis to ensure that it continues to have the appropriate level of global experience and diversity.

Assuming that all of the Directors are re-elected at the AGM, our Board will comprise nine men (64%) and five women (36%) and our Non-Executive Directors will have an even split of four female and four male directors.

Half of the Board (excluding the Chairman) should comprise Non-Executive Directors determined by the Board to be independent in character and judgment and free from relationships or circumstances which may impair, or could appear to impair, the Director's judgment. The Board considers Elizabeth Buchanan, Rupert Faure Walker, Margaret Ma Connolly, Naoko Okumoto, Sue Prevezer, Paul Roy, Daniel Pinto and Miles Young to be independent for these purposes.

We are grateful, once again, for the support we have received from shareowners during 2021.

A key part of the Board's commitment to high standards of governance is active dialogue with shareowners. We will be holding our AGM on 16 June 2022 both in London and electronically. We continue to welcome dialogue and engagement with shareowners outside of our general meetings but look forward to seeing many of you again on 16 June. ■




Sir Martin Sorrell
Executive Chairman

14 May 2022

The role of the Board

The strategy of the Group is set and the management of the Company is controlled by an experienced and effective Board. While the management teams of the Group's operating businesses have an important role in running the Group's day-to-day activities, a number of matters are formally reserved for the determination of the Board. These include setting strategy, evaluating corporate actions, incurring further debt and approving budgets and financial statements. Media.Monks and Data.Monks are represented by multiple executives at the Board level, contributing to the Group's strategy of operating on a unitary basis.

There were four scheduled meetings of the Board in the year to 31 December 2021 and 13 ad hoc meetings called to approve combinations and other corporate activity we have undertaken. Attendance at these meetings is summarised on page 60. Our scheduled Board meetings consider business and financial performance, updates on key initiatives, strategy, reports from committees of the Board and shareowner communications and feedback.

The Board also receives regular updates on the performance of the Group's businesses, operational matters and legal updates from the Executive Chairman and the Executive Directors. All Board members have full access to the Group's advisers for seeking professional advice at the Group's expense. The Group's wider organisational structure has clear lines of responsibility. Operating and financial responsibility for all subsidiary companies rests with the Board.

Board composition

As at the date of this report, the Board comprises seven Executive Directors and nine Non-Executive Directors. Biographical details of each of the Directors, their dates of appointment and committee memberships are set out on pages 48 to 55.

As referred to in the Executive Chairman's governance statement, the roles of Chairman and Chief Executive of the Company are carried out on a combined basis by Sir Martin Sorrell. The Board has considered Sir Martin's role as Executive Chairman in the context of the Board's commitment to achieving high standards of corporate governance.

Sir Martin has been a leading figure in the communication services industry for over 40 years and the Board continues to be of the view that his expertise, knowledge and global network of relationships are an unparalleled advantage to the Group, the formulation and execution of its strategy and its day-to-day operations. In light of this, the Board believes that combining the roles of Chairman and Chief Executive is in the best interests of your Company, shareowners and other stakeholders.

The Board believes that it can only continue to be effective with robust challenge and thoughtful advice being provided both at formal Board meetings and through informal interactions between Directors. Given the vast and differing experience and expertise of the Directors, the Board remains of the view that the combination of the roles of Chairman and Chief Executive has not affected the promotion of a culture of openness and debate and constructive relations between and among the Executive and Non-Executive members of the Board.

To date there has not been an evaluation of each of the Directors, the committees and the Board as a whole, but it is intended that an evaluation will take place during 2022, with the outcomes being included in the next Annual Report.

Committees of the Board

The Board has two committees: an Audit and Risk Committee and a Nomination and Remuneration Committee. If the need should arise, the Board may set up additional committees as appropriate.

Audit and Risk Committee

The Audit and Risk Committee's role is to assist the Board of the Company with the discharge of its responsibilities in relation to external audits and controls, including reviewing the Group's annual financial statements, considering the scope of the annual audit and the extent of the non-audit work undertaken by external auditors, advising on the appointment of external auditors and reviewing the effectiveness of the internal control systems in place within the Group. This led to the appointment of an internal control manager in April 2021.

The Audit and Risk Committee seeks to meet no fewer than three times a year. The Audit and Risk Committee is chaired by Rupert Faure Walker and its other members are Sue Prevezer and Paul Roy. Sir Martin Sorrell and Mary Basterfield may be invited to attend meetings of the Audit and Risk Committee, but are not entitled to count in the quorum of such meetings or vote on business.

The Audit and Risk Committee met frequently in the period prior to publication of this Annual Report to fully understand the issues identified by management and PwC during the audit process.

The report of the Audit and Risk Committee is set out on pages 62 to 64.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee assists the Board of the Company in determining the composition and makeup of the Board of the Company and recommends what policy the Company should adopt on executive remuneration, determines the levels of remuneration for each of the Executive Directors of the Company and recommends and monitors the remuneration of members of senior management. It is also responsible for periodically reviewing the structure of the Company's Board and identifying potential candidates to be appointed as Directors, as the need may arise and for producing an annual Remuneration Report to be approved by the members of the Company at the Annual General Meeting.

The Nomination and Remuneration Committee also determines succession plans for the Executive Chairman. The Nomination and Remuneration Committee meets when appropriate and not fewer than twice a year. The Nomination and Remuneration Committee is chaired by Paul Roy and its other members are Rupert Faure Walker and Sue Prevezer. Sir Martin Sorrell has observer rights and may be invited to attend meetings of the Nomination and Remuneration Committee, but is not entitled to count in the quorum of such meetings or vote on business.

The report of the Nomination and Remuneration Committee is set out on pages 65 to 91. ▶

The role of the Board continued

Scheduled Board and committee membership and attendance in the year to 31 December 2021

	Full Board	Audit and Risk Committee	Nomination and Remuneration Committee
Total number of scheduled meetings	4	5	6
Sir Martin Sorrell	4	–	–
Rupert Faure Walker	4	5	6
Sue Prevezer	4	5	6
Victor Knaap	4	–	–
Wesley ter Haar	4	–	–
Peter Rademaker	4	–	–
Pete Kim	4	–	–
Christopher S. Martin	4	–	–
Daniel Pinto	4	–	–
Paul Roy	4	5	6
Scott Spirit	4	–	–
Elizabeth Buchanan	4	–	–
Naoko Okumoto	4	–	–
Margaret Ma Connolly	4	–	–
Miles Young	3	–	–

Controlling shareowner

As the founder of the Group, Sir Martin Sorrell has been issued with a B Share which provides him with enhanced control rights. As the owner of the B Share, Sir Martin has the right to:

- appoint one Director of the Company from time to time and remove or replace such Director from time to time;
- ensure no executives within the Group are appointed or removed without his consent;
- ensure no shareowner resolutions are proposed (save as required by law) or passed without his consent; and
- save as required by law, ensure no acquisition or disposal by the Company or any of its subsidiaries of an asset with a market or book value in excess of £100,000 (or such higher amount as Sir Martin may agree) may occur without his consent.

The B Share will lose the B Share Rights if it is transferred by Sir Martin and also:

- (i) in any event after 14 years from 28 September 2018 (being the date on which the B Share was issued), or, if earlier, the date on which Sir Martin retires or dies; or
- (ii) if Sir Martin sells any of the Ordinary Shares that he acquired on 28 September 2018 (other than in order to pay tax arising in connection with his holding of such shares).

In order to ensure that Sir Martin's exercise of the rights attaching to the B Shares do not prejudice the Company's ability to comply with the Listing Rules, Sir Martin and the Company have entered into a relationship agreement. Pursuant to this relationship agreement, Sir Martin has undertaken to ensure that:

- transactions and arrangements with Sir Martin (and/or any of his associates) will be conducted at arm's length and on normal commercial terms;
- neither Sir Martin nor any of his associates will take any action that would have the effect of preventing the Company from complying with its obligations under the Listing Rules; and
- neither Sir Martin nor any of his associates will propose or procure the proposal of a shareowner resolution, which is intended or appears to be intended to circumvent the proper application of the Listing Rules.

The Group has policies in place to ensure that the rights attaching to the B Share are not infringed. ■

Report of the Audit and Risk Committee



The Audit and Risk Committee has an important role in ensuring the integrity of the Group's financial report, monitoring the adequacy of the Group's risk management and internal controls and overseeing the performance of the external auditors.

By Rupert Faure Walker

The audit has been a challenge this year and highlighted weaknesses in our internal processes and teams. The early part of the audit process was delayed due to covid-19 restrictions and resourcing in the Netherlands but it subsequently became clear that there were issues within the Content practice which were the root cause of the later delays. The issues which were identified include control weaknesses, inadequate documentation and a lack of understanding in the application of the accounting standards, particularly IFRS15, relating to revenue and cost of sales recognition – issues which were isolated to the legacy MediaMonks business. Our new CFO, Mary Basterfield, was already working to strengthen the finance team to support the scale and continued growth of the business, but these issues have accelerated the requirement for that and identified further resources which are being put in place. We are satisfied that the new structure for the Group team which Mary is implementing will improve the control function. She has increased the number of her direct reports to cover FP&A, Financial Control and Reporting, Treasury, Finance Transformation and Tax.

The Company has made a number of senior blue chip hires who began joining in February, across the Company and Content teams. They include a new Group Financial Controller, a new CFO for the Content practice, a new Global Finance Transformation lead, a new Group Treasurer and a new Global Compliance lead. That new senior management team will be making further hires to strengthen their respective teams in due course. Mary is also improving our control environment – and in light of what has happened this work will focus particularly on processes and controls around revenue recognition, IFRS15, and cost of sales recognition. We will be monitoring that work closely and taking note of all of PwC's recommendations to us as a committee. We will also be strengthening this committee with a new non-executive chair.

I have been the Chairman of the Audit and Risk Committee since re-admission of the Company to the official list upon the reverse takeover of the S⁴Capital Group. The other members of the Committee are Sue Prevezer and Paul Roy. To promote interaction and information flow between the Audit and Risk Committee and the Board, the Executive Chairman and the Chief Financial Officer may be invited to attend meetings of the Committee as observers, but are not entitled to count in the quorum of such meetings or vote on business.

A company such as ours should have an Audit and Risk Committee comprising at least three independent non-executive directors who are independent in character and judgment and free from any relationship or circumstance which may, would be likely to, or could appear to, impair their judgment, and all members of the Committee should be independent. The Board considers all members of the Committee to be independent for these purposes. The Board is satisfied that the Committee as a whole has competence relevant to the sector in which the Company operates. As detailed in my biography on page 52, I have recent and relevant financial experience, and competence in accounting.

Attendance at Audit and Risk Committee meetings is set out on page 60.

As reported previously, we appointed PricewaterhouseCoopers LLP (PwC) as our auditors as we felt it was more appropriate for a company with our size and ambition to have auditors with a truly global reach. The period under review is the fourth period audited by PwC. Mark Jordan has been our audit engagement partner since the appointment of PwC in January 2019.

Internal control and risk management

We continue to monitor and assess the effectiveness of the Board's systems and controls to ensure that we have robust procedures in place. Our assessment takes into account the following key areas: the overall reporting environment, including Board composition, the Committee's constitution and the Group's finance function;

- the preparation and assessment of budgets and the management reporting framework of the Group;
- significant transaction complexity, potential financial exposures and risks;
- the Group's financial accounting and reporting procedures, and audit arrangements; and
- information systems.

We continue each year to complete further combinations. Integration of the Group's operating businesses with newly combined entities is therefore part of the day-to-day work of the financial and operational teams. The Group has a dedicated post-combination integration team focused on the task, but integration relies on the cooperation of a large number of our people. Integration remains a key strategic goal and during the year our executive team had a specific incentive to encourage physical integration of our people. The Board, senior management and this Committee continue to focus on improving the Group's risk identification processes, financial reporting timetables and processes and compliance.

The Board is ultimately responsible for establishing and maintaining the Group's internal controls. The Audit and Risk Committee's role is to review this system and its effectiveness through reports received from management and the external auditor.

Risks are reviewed formally semi-annually at the level of both the operating businesses and the Company and presented to the Board and the Committee as appropriate (see pages 33 to 38). To the extent that significant new risks arise, or existing risks require new mitigation strategies or procedures, these are raised and discussed at Board meetings. The general counsel, head of tax and internal control manager are also involved in the assessment of risks, which strengthens the processes in place.

Consolidated management accounts are prepared monthly and presented at Board meetings, providing relevant, reliable and current information to management. Annual plans and forecasts are used to monitor the development of the Group's businesses and to measure progress towards objectives. Budget approval is a matter reserved for the Board. ►

Report of the Audit and Risk Committee continued

The Group has a formal whistleblowing procedure in place. Whistleblowers can report in confidence to the Chair of the Audit and Risk Committee, who has responsibility for investigating any concerns. The Board and the Committee are made aware of any concerns at Board or Committee meetings as appropriate and informed as to the resolution or other status of complaints.

Internal audit

The Group did not have a separate internal audit function for the whole of the period under review. During 2021, following the organic growth and additional combinations, it was decided that an internal audit function would be appropriate.

For the majority of 2021, an internal control manager has been in place working on internal controls and risk management in the business. The Committee has concluded that an internal audit function should continue to be developed with a focus on expanding the Group's existing risk matrix and improved monitoring of those risks.

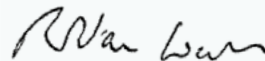
We are in the process of securing this internal audit provision from a large accounting firm, and, in addition, we have recommended to the Board, and it has agreed, that the Company's internal control team should be built out.

External audit

The Audit and Risk Committee has responsibility for monitoring the performance, objectivity and independence of the Group's auditor, PwC. The Committee has assessed the effectiveness of PwC as external auditor in the forthcoming year against the following criteria:

- the external audit plan, including the key audit risk areas, materiality and significant judgment areas;
- the terms of the audit engagement letter and the associated level of audit fees; and
- the independence of the external auditors in the context of the non-audit services provided, of which there were none with the exception of the half year review.

Taking into account the above factors, the Committee has concluded that the appointment of PwC as auditors for the forthcoming year continues to be in the best interests of the Company and its shareholders. The resolution to appoint PwC will propose that it holds office until the conclusion of the next Annual General Meeting at which accounts are laid before the Company, at a level of remuneration to be determined by the Audit and Risk Committee. ■



Rupert Faure Walker

Chair, Audit and Risk Committee

14 May 2022

Report of the Nomination and Remuneration Committee



On behalf of the Board, I am pleased to present the Nomination and Remuneration Committee report for the year ended 31 December 2021.

By Paul Roy

I have chaired the Committee since it was established in 2018. The other members of the Committee are Rupert Faure Walker and Sue Prevezer. All three of us are considered by the Board to be independent Non-Executive Directors.

Composition of the Board

In carrying out its nomination function, the Committee assists the Board in determining the composition and makeup of the Board, having regard to the skills, knowledge and experience required and also to the benefits of all forms of diversity.

Details of the Company's diversity, equity and inclusion policy, and the diversity of our workforce as a whole, are set out in the ESG section of the Strategic Report. In addition, page 25 sets out details of the gender balance of our leadership team which includes the Board.

The Committee periodically reviews the structure of the Board and identifies potential candidates to be appointed as Directors, as the need may arise, having regard to the Board's policy on diversity and inclusion and the gender balance of those in senior management. It is also responsible for determining future succession plans for the Executive Chairman. There were no changes to the Board during 2021 although shortly after the financial year

end there was a change of CFO, with Mary Basterfield joining the Board.

During the financial year, the Nomination and Remuneration Committee led the process to appoint the new CFO, including the preparation of a full role description. The Committee reviewed the potential candidates for the role and prepared a shortlist to be interviewed by members of the Board, following which Mary Basterfield was chosen as the successful candidate.

Looking ahead, during 2022 the Committee will continue to consider the overall composition and structure of the Board in the context of evolving expectations around Board diversity and effectiveness. External assistance has been sought to identify suitable candidates to be appointed as the new Chair of the Audit and Risk Committee. With the exception of the new Chair, we do not currently propose to replace Pete Kim and Peter Rademaker, who have both decided not to seek re-election at the AGM.

Directors' Remuneration Policy

The Committee is responsible for determining the Directors' Remuneration Policy. This provides the overall framework for payments to the Directors. No payment can be made to a Director which is inconsistent with the Policy. ►

Report of the Nomination and Remuneration Committee continued

The Policy was last approved by shareowners at the AGM in 2019 and, in accordance with the relevant regulations, shareowner approval is therefore required for a new Policy at this year's AGM. During 2021, the Committee undertook an extensive review of the Policy to determine what, if any, changes were required to ensure its ongoing suitability for the Company. We considered the growth of the business since 2019, the opportunities for the coming years, common market practice and the views of major investors and relevant representative bodies.

Our overall conclusion was that the Policy has to date provided an appropriate framework for rewarding the Executive Directors, and there is no pressing need to make material changes. As a result, the Policy presented for shareowner approval at the forthcoming AGM is similar to that approved in 2019, although we have made a number of minor amendments to ensure we retain an appropriate level of flexibility while bringing some elements further into line with market practice.

Equity ownership is an integral part of the Policy. Cash remuneration is kept at relatively modest levels, with salaries for the Executive Directors deliberately pitched at lower-than-market positioning and supplemented with a limited cash bonus opportunity (which is not being increased). The high level of share ownership among the Executive Directors has meant that operating mandatory bonus deferral into equity or a conventional long-term incentive plan for all Directors has not been considered necessary. The Policy does, however, include the Incentive Share scheme, in which two of the Executive Directors participate. This scheme is central to the success of the Company, and represents a key way in which reward is linked to the growth of the business. After the first vesting period for the scheme, there is a 'reset' mechanism which results in participants having an entitlement to receive further returns over a second period. The operation of this scheme is explained further on pages 85 and 86.

The changes we have made to the Policy are set out on page 71. In short, we have clarified some of the ways in which the Policy will operate and formalised matters such as the requirement for Executive Directors to build a minimum shareholding during their tenure. We have also brought the Policy into line with good practice by introducing post-employment shareholding requirements and aligning the pension provision of Directors with the wider workforce. The Policy table also includes the equity plan we have introduced under which share awards have been made to the new CFO, as explained further below.

The Committee believes that the new Policy provides an appropriate framework for Directors' remuneration over the next three-year period.

How we intend to apply the Remuneration Policy in 2022

The Committee has reviewed the basic salaries of the Executive Directors and has agreed to increase the salary of Sir Martin Sorrell, the Executive Chairman, from £100,000 to £250,000 with effect from 1 January 2022. Although this is a significant increase, the new salary remains well below the market rate for CEOs of companies of a comparable size to S⁴Capital. The new salary is considered to be a fairer reflection of the contribution that Sir Martin makes to S⁴Capital's success, reflects the growth of the business since its inception, and is more consistent with the salaries paid to the other Executive Directors. For the other Executive Directors there are no increases for 2022.

The new Policy provides for the pension provision for Directors to align with wider workforce contribution rates. After 31 December 2022, the contribution rate for Sir Martin Sorrell and for Scott Spirit will be reduced from 30% and 10% of basic salary respectively to 4% of basic salary, which is aligned with the contribution rate for the majority of UK employees. This means that for all Executive Directors, the rate will be aligned with the wider workforce or to the legal requirements in place in their country of appointment.

The annual bonus scheme will operate in a similar fashion as for previous years. 70% of the total bonus will depend on the achievement of financial targets linked to gross profit growth and EBITDA margin. The remaining 30% will be linked to non-financial objectives based on ESG performance, diversity, equity and inclusion and the further development of an integrated company. The Committee has discretion to adjust the formulaic outcome of the annual bonus. In determining whether to exercise discretion, consideration will be given to the underlying performance of the business and, following the delay in publication of our results for 2021, satisfactory implementation of appropriate financial and risk management controls and processes. Full disclosure of the specific bonus targets will be provided in next year's Directors' Remuneration Report.

Other than the awards that have been agreed for the new CFO, Mary Basterfield, as explained below, we do not have any current intention to grant new equity awards to the Executive Directors during 2022.

The Board (excluding the Non-Executive Directors) is responsible for determining Non-Executive Director fees. No changes to NED fee levels are proposed for 2022.

Operation of the Remuneration Policy in 2021

As explained elsewhere in this Annual Report, 2021 was a successful year for S⁴Capital, as the business took great strides on its growth journey.

The formulaic bonus outcome for the Executive Directors is 57.5% of the maximum available. In terms of financial performance, which accounted for 70% of the overall bonus, the gross profit target was achieved in full due to the very strong level of gross profit growth reported for the year. The separate EBITDA margin target was not met. Non-financial performance – which accounted for the remaining 30% of the bonus – was impressive, with the Company continuing the integration of the various businesses which make up S⁴Capital while also reporting strong ESG credentials.

The Committee believes that the bonus achieved was a fair reflection of overall Group performance over 2021. However, both the Committee and the Executive Directors were disappointed that the EBITDA margin target was not achieved and, also acknowledging the delay in publication of the results, have agreed for 2021 that no bonus should be paid. Full details of the bonus targets for the year and the key achievements are set out on page 82.

With the exception of the initial award agreed for Mary Basterfield, explained below, no new equity incentives were awarded to the Executive Directors in respect of 2021.

The Committee believes that the Remuneration Policy operated as intended during 2021.

Remuneration for the new CFO

Mary Basterfield joined S⁴Capital in December 2021 and was appointed as an Executive Director and as CFO with effect from 3 January 2022. Her remuneration package is in line with the Directors' Remuneration Policy.

Her basic salary is £370,000, which is higher than the salaries of the other Executive Directors but below-market for CFOs of companies of a similar size and complexity to S⁴Capital. It also reflects the fact that, unlike the other Executive Directors, in joining the Company Mary did not receive a large number of S⁴Capital shares as part-consideration for the sale of a business. Mary receives a pension contribution at a level of 4% of salary, which is aligned to the contribution rate for the majority of UK employees. She has an annual bonus opportunity of 100% of basic salary, dependent on the achievement of the same performance conditions as apply to the other Executive Directors. ►

Report of the Nomination and Remuneration Committee continued

Long-term equity incentives were agreed for Mary as she was the first senior executive to have been appointed rather than join the Company through a combination and with a significant pre-existing share ownership. The first part of the award was issued when Mary joined the Company in December 2021. Mary was granted a nil-cost option over shares with a market value at grant equivalent to £500,000. These shares vest after two years, subject to continued employment and the satisfaction of specific performance conditions linked to her role and personal performance. This equity award acknowledges the below-market nature of her overall package and lack of pre-existing shareholdings, and gives her a material upfront interest in S⁴Capital equity, aligned to shareowner interests and longer-term performance.

Mary will also receive four separate grants made over the first four years of her employment with S⁴Capital from 2022 to 2025. Each award has an annual grant face value of £500,000 (approximately 135% of her 2022 basic salary). Each annual grant will be divided into two parts, one as a nil-cost option and the other as a market-priced option. The use of market-priced options for half of each year's grant ensures a focus on share price growth. Each grant will be subject to performance conditions linked to gross profit growth and EBITDA margin which must be met over the year of grant. Each grant will be capable of vesting to the extent that the performance conditions are achieved, although no part of the award will actually vest before 2026, i.e. four years after the first grant date. There is no formal post-vesting holding period but Mary will be required to build a shareholding up to a minimum of 200% of basic salary, as specified in the Remuneration Policy.

The incentive has been structured in this fashion to ensure that Mary has a significant share interest in the business, aligning her to the other Executive Directors and to shareowners more generally, while all the time being subject to the achievement of challenging performance conditions. The use of an overall four year performance period for most of the award structured as successive one-year periods rather than the standard three-year period recognises that, as S⁴Capital continues to grow and evolve, each one of the next four years is critical. This approach is also designed to be competitive in the context of the international markets in which S⁴Capital operates, where performance and vesting periods can be shorter than the UK norm.

The specific performance targets for all of the above awards are currently considered commercially confidential and will be disclosed at the time of vesting. All of the incentives are subject to malus and clawback provisions.

The equity awards to Mary were granted under the Employee Share Ownership Plan, using the flexibility available to the Committee under the Directors' Remuneration Policy to introduce new long-term incentives for Executive Directors. The Committee has the ability under this element of the Policy to set performance targets as it deems appropriate.

Peter Rademaker stepped down as CFO following Mary's appointment to the Board on 3 January 2022. He received no payments for loss of office but remained employed by the Company until 31 January 2022, during which time he received his salary and other benefits. Peter will step down from his role as a Non-Executive Director with effect from the end of this year's AGM.

Pete Kim has also asked to step down from the Board with effect from the end of this year's AGM but he will remain as Chief Executive Officer of Data.Monks.

UK Corporate Governance Code

S⁴Capital has a Standard Listing and as such is not formally required to comply with the UK Corporate Governance Code or explain its reasons for non-compliance. However, the Committee believes that the approach taken to executive remuneration is consistent with the Code's principles, in that remuneration supports the strategic goals of the business and promotes long-term sustainable success. This is particularly relevant in the case of the Incentive Share scheme, which has a five-year vesting period and where the ultimate rewards will reflect the success of S⁴Capital's strategy over the long-term.

The Remuneration Policy and its implementation are consistent with the factors set out in Provision 40 of the Code:

- **Clarity:** Remuneration arrangements for the Executive Directors are set out transparently in this report, allowing shareowners to understand the nature of the specific incentive schemes and payments under those schemes.
- **Simplicity:** The structure of the Remuneration Policy for the Executive Directors is simple and straightforward. At present, the only incentive scheme in which all Executive Directors participate is the annual bonus scheme. In most other cases, their significant shareholdings provide for alignment with the interests of shareowners. The Incentive Share scheme – which applies to two Directors only (including the Executive Chairman) – has a very simple structure.
- **Risk:** The Committee is aware that the Incentive Share scheme may result in the issue of shares to participants of a significant value. However, such awards will be consistent with the creation of shareowner value since the foundation of S⁴Capital and therefore very clearly tied to the performance of the business. Any reputational risk triggered by a perception of excessive rewards which are divorced from the underlying performance of the business is therefore limited.
- **Predictability:** Rewards available to Executive Directors under their fixed remuneration arrangements and the annual bonus scheme are limited in scope and reasonably predictable in value (subject to the satisfaction of bonus performance conditions). The incentives awarded to the new CFO will vary in value depending on the achievement of the performance conditions and the share price as at the date of vesting. The ultimate value of the Incentive Share scheme is hard to predict exactly, but it will correlate with growth in shareowner value.
- **Proportionality:** The annual bonus scheme, the Incentive Share scheme and the equity awards to the new CFO tie individual reward closely to the performance of the business. The targets for the bonus scheme and the CFO's awards are linked to core financial priorities and key non-financial objectives. The Incentive Share scheme rewards the generation of value for shareowners. As such, payouts under these schemes will be reflective of the success or otherwise of the strategic direction which has been set for the Group.
- **Alignment to culture:** S⁴Capital is continuing to build a new era, new media solution through strategic business combinations which are being closely integrated into one Group. Our incentive schemes for Directors and for employees across the Group more widely are designed to ensure that performance is rewarded which supports overall business goals and is consistent with the purpose and culture of the Group.

Our approach to remuneration complies with the vast majority of the provisions of the Code. The new Directors' Remuneration Policy further increases the extent of alignment with the Code. We have formalised our in service shareholding requirement, introduced a post-employment shareholding requirement and with effect from 1 January 2023 aligned all Directors' pension provision to the rate applicable to the wider workforce or to the legal requirements in place in their country of appointment. ►

Report of the Nomination and Remuneration Committee continued

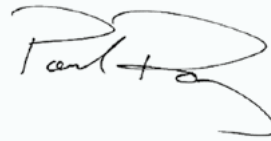
There are now only a small number of areas where our approach differs from that set out in the Code:

- The Incentive Share scheme does not include malus or clawback provisions, and nor does the Committee have the ability to override the formulaic outcome of the scheme. This is due to the long-term nature of the plan and the fact that participants in the scheme can only receive benefits once shareowners have experienced significant growth in the value of their investment. In line with the Code, the annual bonus scheme includes malus and clawback provisions, and as a fully discretionary scheme the Committee has the ability to apply an override to the formulaic outcome if deemed appropriate. Similar arrangements are in place in respect of the equity awards agreed for the new CFO. In addition, we have clarified in the new Policy that if other forms of long-term incentive are offered to the Executive Directors, we will ensure that malus and clawback provisions, and a discretionary override, would apply.
- The equity awards that have been agreed for the new CFO do not have a total vesting and holding period of five years or more. The rationale for the structure of these awards is set out above. The Committee believes they are appropriate for S⁴Capital in the context of the need to offer a competitive recruitment package which is aligned to the interests of the business.
- The Committee has not to date engaged with the wider workforce to explain how executive remuneration aligns with wider Company pay policy. This will be kept under review.

Concluding remarks

We are committed to ensuring that decisions on Directors' remuneration are taken with the interests of shareowners very much at heart. Earlier this year, I wrote to major shareowners and the proxy advisory agencies setting out the proposed changes to the Directors' Remuneration Policy and our plans for 2022. I am pleased to report that the majority of those who responded were supportive of our approach.

I hope that you find this report useful. At the AGM to be held on 16 June 2022, shareowners will be asked to approve (1) the Directors' Remuneration Report (excluding the Directors' Remuneration Policy) by way of an advisory resolution, and (2) the new Directors' Remuneration Policy by way of a binding resolution. We hope to receive your support for both resolutions. ■



Paul Roy

Chair, Nomination and
Remuneration Committee

14 May 2022

Directors' Remuneration Policy

The Directors' Remuneration Policy set out on the following pages will be subject to a binding vote of shareowners at the AGM to be held on 16 June 2022 and will formally apply from that date. Once approved, it will replace the Policy approved by shareowners at the AGM held on 29 May 2019 and will continue to apply until no later than the AGM in 2025. Payments to Directors and payments for loss of office can only be made if they are consistent with the terms of the approved Remuneration Policy. The Committee will be required to seek shareowner approval for an amendment to the Policy if it wishes to make a payment to a Director which is not envisaged by the approved Policy. The Policy has been prepared in line with the relevant UK reporting regulations.

The Policy was approved by the Nomination and Remuneration Committee following a review of the existing Policy and taking into account developments since 2019. Working with its external advisers, the Committee considered the ongoing appropriateness of the existing Policy in the context of the increased scale and complexity of the Company, the high levels of share ownership among the Executive Directors, developments in corporate governance and the expectations of institutional investors. The Committee reflected on the views of key internal stakeholders and also sought feedback from major shareowners and the leading proxy advisory bodies before finalising the details of the Policy. As a fully independent Committee, conflicts of interest were minimised and no individual was responsible for determining his or her own remuneration.

Key changes to the Remuneration Policy

In general, the new Policy is not fundamentally different to that approved by shareowners in 2019. The Committee has been keen to retain the focus on relatively low levels of fixed remuneration, a below-market annual bonus opportunity and an emphasis on long-term share ownership. The Incentive Share scheme for certain Directors remains an integral part of the Policy. The main changes to the Policy approved in 2019 are as follows:

- We have clarified that pension provision for all Executive Directors will be aligned with the rate for the wider workforce or to the legal requirements in place in their country of appointment. This applies to all new Executive Directors with immediate effect and for incumbent Directors no later than 31 December 2022.
- We have formalised the minimum shareholding requirement within the Policy. This requires Executive Directors to build and hold shares equivalent in value to 200% of basic salary.
- A post-employment shareholding requirement has also been introduced. This will require the Executive Directors, for a period of two years following cessation of employment, to retain a minimum shareholding at the lower of (a) the in-employment shareholding requirement of 200% of basic salary and (b) the individual's actual shareholding at the point of cessation.
- The circumstances in which malus and clawback provisions will be triggered are now set out in the Policy. These provisions apply to awards under the annual bonus scheme, the scheme under which our new CFO is granted her share awards and any new long-term incentive scheme put in place during the lifetime of the Policy.
- We have formalised the Committee's ability to override the formulaic outcome of incentive schemes where appropriate.
- We have included within the Remuneration Policy table the Employee Share Ownership Plan, which is the legal structure under which the equity awards agreed for the new CFO have been granted. Further details in relation to these awards are included in the Annual Statement from the Chair of the Nomination and Remuneration Committee.
- We have retained the flexibility to introduce new long-term incentive schemes for the Executive Directors if required during the lifetime of the Policy, but have made some minor amendments to the wording of the relevant section of the Policy. In addition, we clarify that where such a scheme involves the use of performance shares, the maximum annual grant size will be 200% of basic salary, with flexibility to increase to 250% of salary in exceptional circumstances. If other types of award are made (e.g. market-priced share options), these awards would have a similar fair value.
- In the event of the recruitment of a new Executive Director, we state that any award of performance shares would be up to a maximum of 250% of basic salary, thus aligning with the exceptional circumstances limit noted above. We also clarify that any award to buy out the incentives forfeited by a new Director on joining S4Capital will as far as possible be based on the value of the awards forfeited and will reflect the same delivery vehicle, performance and vesting horizon.

The Policy provides the Committee with the ability to exercise discretion in certain circumstances. This is explained in the relevant sections of the Policy table and in the sections below the table.

Remuneration Report continued

Policy table for Executive Directors

The table below sets out the core components of the remuneration package for Executive Directors and explains the purpose of each element and how it furthers the strategy of the Group. The table also summarises the operation of each element and its performance conditions (where relevant), the maximum reward opportunity and the relevant performance metrics.

Element	Purpose and link to strategy	Operation	Maximum opportunity	Performance assessment
Base salary	A fixed element of the Executive Directors' remuneration, intended to provide a base level of income.	Salary is reviewed annually and otherwise by exception. Takes into account the role performed by the individual and information on the rates of pay for similar jobs in companies of comparable size and complexity. Salary is typically below market rates.	Annual increases will ordinarily be in line with awards to other people within the Group. Consistent with other roles within the Group, other specific adjustments may be made to take account of any changes to individual circumstances, such as an increase in scope and responsibility, an individual's development and performance in the role and any realignment following changes in market levels.	An individual's performance is one of the considerations in determining the level of annual increase in salary.
Benefits	A fixed element of the Executive Directors' remuneration, intended to attract, retain and motivate them, whilst remaining competitive.	Benefits such as insurance, fully-expensed transportation, private medical insurance and life assurance may be paid to the Executive Directors in line with market practice.	Benefits are set at a level which the Nomination and Remuneration Committee considers to be commensurate with the role and comparable with those provided in companies of a similar size and complexity.	n/a
Pension	A fixed and standard element of the Executive Directors' remuneration to support retirement.	Takes into account the role performed by the individual, the level of pension provided to the wider workforce, and the legal requirements in the country of appointment. Payment may be made into a company pension scheme, private pension plans or paid cash in lieu.	Until 31 December 2022, for incumbent Directors only, maximum 30% of base salary. For new appointments and from 1 January 2023 for incumbent Directors, the maximum level of pension contribution will be aligned with the rate payable to the majority of the workforce or the legal requirements in their country of appointment.	n/a

Element	Purpose and link to strategy	Operation	Maximum opportunity	Performance assessment
Annual bonus scheme	The annual bonus scheme is intended to reward Executive Directors for their achievements and the performance of the Group in the financial year.	Following the end of each financial period, the Nomination and Remuneration Committee reviews actual performance against the objectives set under the scheme and determines awards accordingly. Awards are normally paid in cash but the Nomination and Remuneration Committee has discretion to determine if a proportion of the bonus should be invested in shares. At the discretion of the Committee, for certain leavers, a pro-rata annual bonus may become payable at the normal payment date for the period of employment and based on full-year performance.	Maximum 100% of basic salary.	The targets against which annual performance is judged are determined annually by the Nomination and Remuneration Committee. Annual performance is assessed against a combination of financial, operational strategic and personal goals. Malus and clawback provisions apply to payments under the annual bonus scheme. For more details see page 82.
Incentive Share scheme	The Incentive Shares and Options are intended to motivate the Executive Directors who are invited to subscribe for them to contribute towards the long-term development of the Group.	The Nomination and Remuneration Committee reviews the development of the Group against the terms of the scheme.	In aggregate, for all holders of Incentive Shares and Options, 15% of the growth in value of S4 Limited, as described on page 86.	A compound annual growth rate of 6% since the foundational investment into S4 Limited, as described on page 86.
Employee Share Ownership Plan	Motivate and incentivise employees and Executive Directors to contribute to the long-term development of the Group. As set out below, Executive Directors may become eligible to participate in other long-term incentive arrangements if deemed appropriate.	Awards over shares which, for Executive Directors, vest subject to the satisfaction of performance conditions. The vesting period will be up to four years. Awards can be structured as options (with or without an exercise price) or conditional share awards.	For Executive Directors, 200% of salary per annum.	In relation to awards made to Executive Directors, performance conditions will be linked to key strategic priorities or other targets as identified at the time of grant. Malus and clawback provisions apply to these awards.

Remuneration Report continued

Element	Purpose and link to strategy	Operation	Maximum opportunity	Performance assessment
Share ownership guidelines	Requires the Executive Directors to hold a minimum level of shares both during and after the period of their employment.	Executive Directors are encouraged to build up and then subsequently hold a minimum level of shareholding as soon as reasonably practicable following appointment with the expectation that this will normally be within five years of appointment. Executive Directors are also required to maintain a minimum level of shareholding for a period of two years following the cessation of their employment. For more details see page 82 to 83.	The minimum shareholding which should be built up by an Executive Director is a holding equivalent in value to 200% of their basic salary. Executive Directors must also maintain a shareholding for a minimum period of two years following the cessation of their employment of the lower of (1) the in-employment shareholding requirement of 200% of salary and (2) the individual's actual shareholding at the time of their departure.	n/a

Performance conditions

The performance measures chosen for the annual bonus scheme and the long-term equity incentives awarded to the CFO are intended to align with the key strategic priorities of the Company. The financial metrics which apply to these schemes are currently gross profit growth and EBITDA margin, two important measures used by management and the Board to assess performance. The non-financial measures used for the annual bonus scheme and the first part of the long-term incentives agreed for the CFO reflect key strategic and individual priorities. For more details see pages 82 to 83.

For the annual bonus scheme and in the event of any further awards being granted to Directors under the Employee Share Ownership Plan, the performance conditions may change for future financial years in light of any change to the Company's circumstances and any other relevant matter.

The growth condition applying to the Incentive Shares was chosen to reflect a suitable baseline of performance above which the participants can share in the growth of the Company over the period since it was established in 2018.

Malus and clawback

The annual bonus scheme includes malus and clawback provisions which may be invoked by the Nomination and Remuneration Committee at its discretion within the two-year period following the payment of any bonus in the following circumstances:

- a material misstatement of the financial results of the Company;
- the identification of an error in the calculation of the grant or determination of a performance target;
- action or conduct which amounts to fraud or gross misconduct or other circumstances which would have warranted summary dismissal;
- a material failure of risk management;
- circumstances which have a significant impact on the reputation of the Group; and/or
- the insolvency of the Group.

The equity incentives granted to the CFO are subject to similar malus and clawback provisions. Furthermore, the Committee intends that similar provisions will be applied to any new long-term incentive scheme put in place during the lifetime of the Remuneration Policy.

Due to the long-term nature of the rewards offered by the Incentive Share scheme, which only allows the owners of the Incentive Shares to receive benefits under the scheme once shareowners have experienced significant growth in the value of their investment, there are no malus and clawback arrangements in respect of awards under this scheme. Awards are, however, subject to leaver provisions intended to motivate holders to remain with the Group over the long term (up to 14 years).

Remuneration Committee discretion

The Nomination and Remuneration Committee will operate the incentive schemes in accordance with the relevant scheme rules. Consistent with standard market practice, the Committee has certain discretions regarding the operation and administration of these schemes, including as to:

- participants;
- timing of grants or awards;
- size of awards;
- determination of how far performance metrics have been met;
- treatment of leavers or arrangements on a change of control; and
- adjustments of targets and/or measures if required following a specific event (e.g. material acquisition or disposal).

Any use of these discretions would be explained in the annual report on remuneration for the relevant year.

In addition, and in accordance with good practice, the Committee has the discretion to adjust the formulaic outcome of the annual bonus scheme and the equity awards granted to the CFO to reflect overall business performance over the vesting period. A similar discretionary override would be put in place for any new long-term incentive arrangement put in place during the lifetime of the Remuneration Policy.

Additional long-term incentive arrangements

Under this Remuneration Policy, the Committee has the flexibility to agree additional long-term incentive arrangements for Executive Directors during the lifetime of the Policy. This reflects the fast-moving nature of the business environment and the potential need to react quickly to changing circumstances without needing formal shareowner approval for an amendment to the Policy. Any new scheme would be aligned to the Company's medium and long-term strategy and would include appropriate performance metrics linked to the financial performance of the Company (unless the Committee determines that other targets are appropriate).

If any new long-term incentive plan is established, the limit on the size of individual awards would be a grant over shares worth up to 200% of base salary each year if granted as performance shares (with flexibility to increase to 250% of basic salary in exceptional circumstances). If other types of award are made, these would have a similar equivalent fair value. Such awards would vest over a period of up to four years, subject to the satisfaction of performance targets as noted above. ►

Remuneration Report continued

Recruitment

When hiring a new Executive Director, the Committee will use the Remuneration Policy as the initial basis for formulating the individual's package. To facilitate the hiring of candidates of the appropriate calibre to implement the Group's strategy, the Committee may include any other remuneration component or award not explicitly referred to in this Remuneration Policy (or a higher award opportunity than that set out in the Remuneration Policy table) sufficient to attract the right candidate. Any long-term incentive award granted to a new appointee would be up to a maximum of 250% of basic salary per annum.

Awards outside the normal policy would only be made (i) if they are considered a necessary part of an acquisition which involves a new Director joining the Board and/or (ii) to buy out awards being foregone by the incoming Executive Director, with the value of these buyout awards reflecting the value of the awards foregone. It is the Committee's intention that any buyout award would reflect the same delivery vehicle, performance and vesting horizon of the awards foregone. Where the recruitment requires the individual to relocate, appropriate relocation costs may be offered.

In determining the appropriate remuneration, the Committee will take into consideration all relevant factors, including the quantum and nature of the remuneration, to ensure the arrangements are in the best interests of the Company and its shareowners.

Contracts of service

The Company's policy is to offer contracts of employment that attract, motivate and retain skilled people who are incentivised to deliver the Company's strategy.

The Executive Directors have service agreements with the Company but are remunerated pursuant to agreements concluded with other entities in the Group. A summary of the agreements pursuant to which the Executive Directors are remunerated is set out below. With the exception of the initial three-year terms set out in the agreements for Sir Martin Sorrell, Pete Kim and Christopher S. Martin (see below), none of the contracts include a fixed term. The service agreements are available for inspection at the Company's registered office.

Director	Date of appointment	Date of contract	Notice period (months)
Sir Martin Sorrell	28 September 2018 ¹	24 June 2018	12 ²
Victor Knaap	4 December 2018	18 January 2021 ³	12 ⁴
Wesley ter Haar	4 December 2018	18 January 2021 ³	12 ⁴
Pete Kim	24 December 2018	24 December 2018	At will ²
Christopher S. Martin	24 December 2018	24 December 2018	At will ²
Scott Spirit	18 July 2019	2 July 2019	12
Mary Basterfield	3 January 2022 ⁵	14 November 2021	12

Notes:

- Sir Martin has acted as a Director of S⁴ Limited since its foundation on 23 May 2018, which is the effective date of the start of his employment pursuant to his service agreement.
- After a three-year initial term.
- New contracts with Victor Knaap and Wesley ter Haar were signed on this date, superseding the contracts dated 9 July 2018.
- Notice period from Company. Notice period from Executive Director is 6 months based on Dutch legal requirement that it is half of period required from Company.
- Date of appointment as a Director. Joined the Company on 13 December 2021.

Policy on payments for loss of office

The service agreements for the Executive Directors allow for lawful termination of employment by making a payment in lieu of notice, by making phased payments over any remaining unexpired period of notice, or, in relation to contracts governed by Californian law, by paying 12 months' base salary. There is no automatic or contractual right to annual bonus payments. At the discretion of the Committee, for certain leavers, a pro rata annual bonus may become payable at the normal payment date for the period of employment and based on full year performance. Should the Committee decide to make a payment in such circumstances, the rationale would be fully disclosed in the annual Remuneration Report.

The equity incentives awarded to the CFO include customary leaver provisions. In certain specific 'good leaver' circumstances (death, illness or disability, the business for which the individual works no longer being part of the Group, or any other reason determined by the Committee), the Committee may determine that awards which have not vested at the date of cessation shall continue and be available for vesting on the normal vesting date. The extent of vesting will depend upon the satisfaction of the relevant performance conditions. The award will also be subject to a pro-rata reduction to reflect the number of completed days in the period between the grant date and the date of cessation as a proportion of the total number of days in the vesting period. The Committee has the discretion to disapply this time pro-rating if deemed appropriate. If the Committee deems the individual to be a 'bad leaver', then any unvested award will lapse immediately on the date of cessation.

In the event of a change of control or winding up of the Company, the Committee has the discretion to determine that the performance conditions will continue to apply, and that the number of shares which vest will be subject to pro-rating to reflect the number of completed days between the grant date and the date of the corporate event.

The Committee reserves the right to make additional liquidated damages payments outside the terms of the Directors' service contracts where such payments are made in good faith in order to discharge an existing legal obligation, or by way of damages for breach of such an obligation, or by way of settlement or compromise of any claim arising in connection with the termination of a Director's office or employment.

Legacy arrangements and other payments

The Committee reserves the right to make amendments to the Remuneration Policy for minor administrative matters in exceptional circumstances. The Committee would only use this right where it believes this would be in the best interests of the company and when it would be disproportionate to seek the specific approval of shareowners at a general meeting.

Outside appointments

The Company recognises that Executive Directors may be invited to become non-executive directors of other companies and that this can help broaden their skills and experience. Subject to Board approval, Executive Directors are permitted to take on other non-executive positions with other for-profit companies and to retain their fees in respect of such a position.

Statement of consideration of employment conditions elsewhere in the Group

The Group operates in fast-moving sectors across multiple jurisdictions and with employees who have joined the Group following the acquisitions that have been made since S⁴Capital was established. Pay levels and structures for people across the organisation are designed to be competitive and to reflect the dynamics in specific markets. As the Group continues to embed its unitary structure, work is ongoing to ensure consistency and standardisation of reward and compensation approaches throughout the organisation.

In setting salaries and benefits each business considers the need to retain and incentivise key people to ensure the continued success of the Group. Annual cash incentives are in place for certain roles within the Company, with payments linked to the satisfaction of performance conditions. Equity is also used as an incentive tool and to align the interests of key employees with those of shareowners.

The Group's people were not consulted in setting the Directors' Remuneration Policy.

Consideration of shareowner views

The Committee considers it extremely important to maintain open and transparent communication with the Company's shareowners. The views of shareowners are received through various avenues, such as at the AGM, during meetings with investors and through other contact during the year. These views are considered by the Committee and help to inform the development of the overall Remuneration Policy.

In addition, in early 2022 the Chairman of the Committee wrote to major shareowners and the leading proxy voting agencies to seek their feedback on the shape of the Policy and the proposed changes to the Policy approved at the 2019 AGM. The comments received were considered by the Committee and taken into account when finalising the Policy. ►

Remuneration Report continued

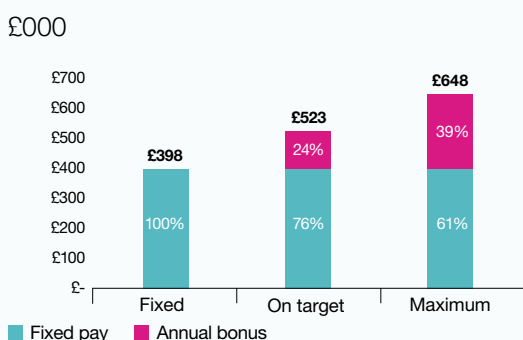
Illustrations of the application of the Remuneration Policy

The charts below show an indication of the level of remuneration that each Executive Director could receive in the current financial year under the terms of the Remuneration Policy. The charts show the level of remuneration based on three levels of remuneration:

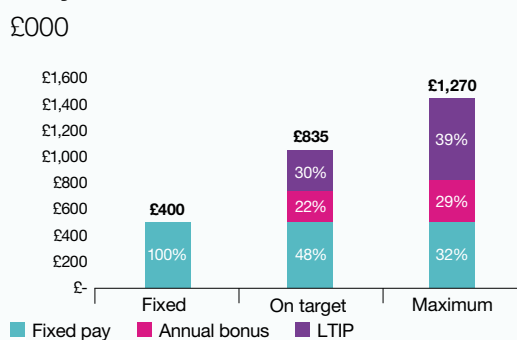
- **Minimum:** remuneration which is not subject to the satisfaction of performance conditions, i.e. basic salary, taxable benefits and pension contributions.
- **Target:** fixed remuneration plus a 50% payout under the annual bonus scheme and, in the case of the CFO, her equity incentives.
- **Maximum:** fixed remuneration plus a 100% payout under the annual bonus scheme and, in the case of the CFO, her equity incentives. The maximum scenario includes an additional element to represent 50% share price growth on the CFO's equity incentives.

The charts do not include an amount in respect of the Incentive Share scheme as there will be no payouts under this scheme in respect of the current financial year and the absence of a monetary cap on the value of the ultimate rewards means that it is not possible to accurately forecast potential payouts.

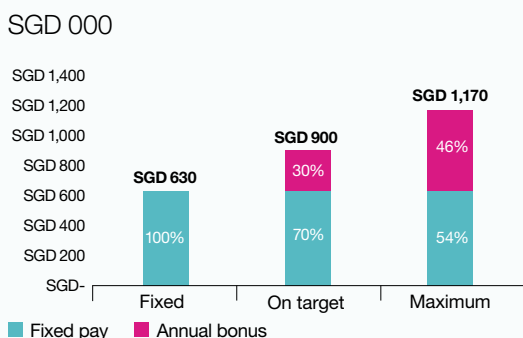
Sir Martin Sorrell



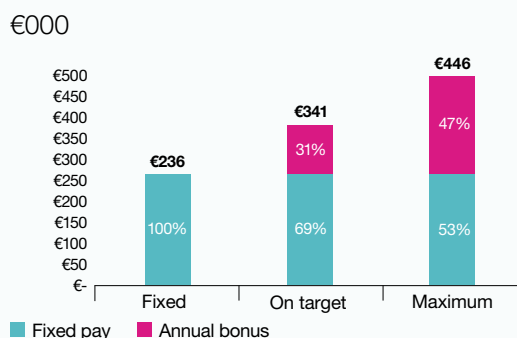
Mary Basterfield



Scott Spirit

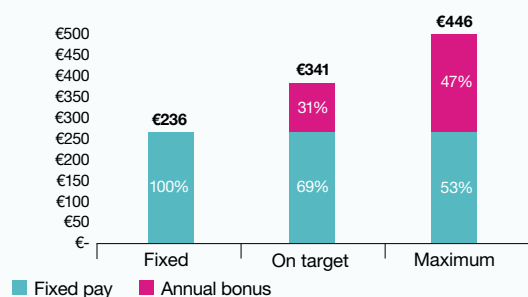


Wesley ter Haar

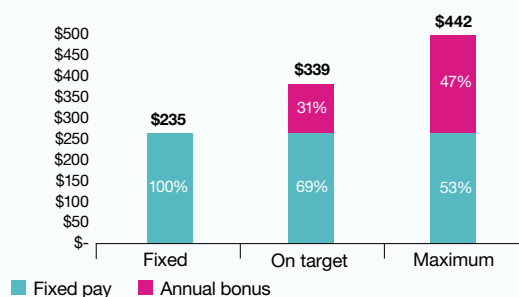


Victor Knaap

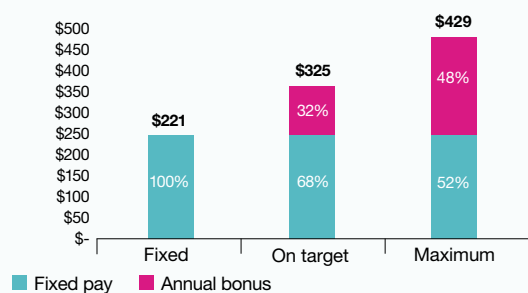
€000

**Christopher S. Martin**

\$000

**Pete Kim**

\$000

**Policy table for the Non-Executive Directors**

Element	Purpose and link to strategy	Operation	Maximum opportunity	Performance assessment
Fees	To attract and retain Non-Executive Directors with adequate experience and knowledge.	The fees of the Non-Executive Directors are determined by the Board based upon comparable market levels and time commitment. The Non-Executive Directors do not participate in any performance-related incentive arrangements, nor do they have any entitlement to benefits or pension contributions. Directors may be paid additional amounts for services such as acting as the Senior Independent Director or as a Committee Chair.	The maximum fees payable are subject to an aggregate annual limit as set out in the Articles of Association which is currently £350,000.	n/a

Remuneration Report continued

Fees

The Board (excluding the Non-Executive Directors) is responsible for determining the fees for the Non-Executive Directors.

Letters of appointment

The terms of appointment of the Non-Executive Directors are set out in their respective letters of appointment. Appointment as a Non-Executive Director is subject to a three-month notice period. The Group has no obligation to make termination payments if a Non-Executive Director is not re-elected as a Director at an AGM.

The appointments of Rupert Faure Walker and Paul Roy are governed by their appointment letters with S⁴ Limited, which remained in place following the completion of the Company's acquisition of S⁴ Limited on 28 September 2018.

Director	Date of appointment	Date of contract	Notice period (months)
Rupert Faure Walker	28 September 2018	24 June 2018	3
Paul Roy	28 September 2018	24 June 2018	3
Sue Prevezer	14 November 2018	9 July 2018	3
Daniel Pinto	24 December 2018	9 July 2018	3
Elizabeth Buchanan	12 July 2019	11 June 2019	3
Naoko Okumoto	10 December 2019	9 December 2019	3
Margaret Ma Connolly	10 December 2019	6 December 2019	3
Miles Young	1 July 2020	30 June 2020	3
Peter Rademaker	3 January 2022	14 November 2021	3

Recruitment of new Non-Executive Directors

Any new Non-Executive Director appointed during the period covered by this Remuneration Policy will have their remuneration set in line with the provisions of the Policy table above.

Annual Remuneration Report

The information provided in this Annual Remuneration Report is subject to audit except where indicated otherwise. Details of the Directors' interests in the share capital of the Company are set out on page 84.

The remuneration of the Executive Directors for the year to 31 December 2021 is presented below with a comparison for the year to 31 December 2020.

Executive Directors' remuneration as a single figure (Audited)

£000	Salary		All taxable benefits ⁵		Annual bonus		Incentive shares		Pension ⁶		Total		Total Fixed Remuneration		Total Variable Remuneration	
	2021	2020 ¹	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Sir Martin Sorrell	100	75	73	45	-	75	-	-	30	23	203	218	203	143	-	75
Victor Knaap ²	181	93	15	8	-	70	-	-	7	-	203	171	203	101	-	70
Wesley ter Haar ²	181	93	15	8	-	70	-	-	7	-	203	171	203	101	-	70
Peter Rademaker ²	253	196	-	-	-	147	-	-	12	-	265	343	265	196	-	147
Pete Kim ³	151	40	6	-	-	-	-	-	5	1	162	41	162	41	-	-
Christopher S. Martin ³	151	100	16	1	-	-	-	-	5	3	172	104	172	104	-	-
Scott Spirit ⁴	292	228	19	20	-	228	-	-	29	23	340	499	340	271	-	228
Total	1,309	825	144	82	-	590	-	-	95	50	1,548	1,547	1,548	957	-	590

Notes:

- As disclosed in previous Directors' Remuneration Reports, Executive Directors' salaries for 2020 were reduced in response to the outbreak of the covid-19 pandemic.
- The remuneration of Victor Knaap, Wesley ter Haar and Peter Rademaker is converted into sterling from euros using the average exchange rate for the year, consistent with the basis of the presentation of financial performance in the financial statements.
- The remuneration of Pete Kim and Christopher S. Martin is converted into sterling from US dollars using the average exchange rate for the year, consistent with the basis of the presentation of financial performance in the financial statements.
- The remuneration of Scott Spirit is converted into sterling from Singaporean dollars using the average exchange rate for the year, consistent with the basis of the presentation of financial performance in the financial statements.
- The change in the value of Sir Martin Sorrell's benefits is due to an increase in health insurance payments. Benefits for Victor Knaap and Wesley ter Haar for 2020 include an amount which was not disclosed last year due to an administrative oversight.
- Pension provision for Pete Kim and Christopher S. Martin for 2020 include an amount which was not disclosed last year due to an administrative oversight.

Salary (Audited)

The annual salaries for the Executive Directors for 2021 were as follows:

Sir Martin Sorrell	£100,000
Victor Knaap	€210,000
Wesley ter Haar	€210,000
Peter Rademaker	€294,000
Pete Kim	\$207,360
Christopher S. Martin	\$207,360
Scott Spirit	SGD540,000

Pension (Audited)

For 2021, Sir Martin Sorrell was provided with a lump sum pension contribution equivalent to 30% of his annual base salary, which was paid as a cash amount in lieu of pension. Scott Spirit received a pension contribution at a rate of 10% of his annual base salary which was paid into the Company's pension scheme. Victor Knaap, Wesley ter Haar and Peter Rademaker received Dutch age-related pension contributions. Pension contributions were made to Pete Kim and Christopher S. Martin via a US 401(k) plan.

Remuneration Report continued

Annual bonus scheme

The 2021 bonus scheme was based on the achievement of performance targets linked to the Group's strategic priorities. 70% of the bonus was payable by reference to performance against Group financial metrics, and the remaining 30% was payable by reference to key non-financial objectives.

The specific financial metrics are set out in the table below.

	Weighting (% of total bonus)	Targets	Achievement
Gross profit (net revenue)	35%	25% growth on like-for-like basis vs FY20	44.0%
EBITDA margin	35%	20% as percentage of gross profit	18.4%

For the 30% of the bonus subject to non-financial objectives, targets were set based on the ongoing integration of businesses within S⁴Capital and key ESG measures, as summarised below.

Objective	Weighting (% of total bonus)	Achievements	Score
Integration			
Rebranding	5%	<ul style="list-style-type: none"> Superb planning and execution of Media.Monks branding (launched August 2021). Successful internal rollout of new branding and full support from clients (no negative client impact). 	5%
Development of software systems	5%	<ul style="list-style-type: none"> Ongoing integration of key systems and processes across the business and enhanced development of sales and communications platforms. However, some work outstanding on full implementation of HR systems. 	2.5%
Optimal use of property	5%	<ul style="list-style-type: none"> Ongoing consolidation of key office locations. Further work required in other jurisdictions. 	2.5%
20 ² strategy	5%	<ul style="list-style-type: none"> Excellent progress made, with additional 'whoppers' won (Meta and HP). Generation of strong pipeline of additional opportunities to further expand number of whopper accounts in 2022. 	5%
ESG			
Climate	5%	<ul style="list-style-type: none"> Reached carbon neutral status mid-2021 for 2020 through unofficial reforestation programmes (offsetting), two years ahead of expectations. Passed the preliminary scope for B Corp accreditation. Increased For Good projects from 0.5% of net revenue (2020) to 1.8% of net revenue (2021) in ambition to sign the pledge 1%. 	5%
Diversity and inclusion	5%	<ul style="list-style-type: none"> Continued expansion of hiring, education and development programmes. Diversity embedded across wider workforce (e.g. overall split of 49% women/51% men globally; 41% people of colour across US businesses). However, further work required to increase levels of female and black representation at senior levels (currently only 3% black in senior US roles, and 39% women in senior roles globally). 	2.5%

The Committee considered in detail the achievements against both the financial and integration metrics as set out above and determined a formulaic bonus outcome of 57.5% of the maximum. This reflects the full achievement of the gross profit target (resulting in the full 35% for this element becoming payable), the shortfall on the EBITDA margin target (resulting in no payment for this element) and the outcomes against the various non-financial objectives (resulting in a 22.5% payout for this element). The Committee believes that this bonus outcome is consistent with the performance of the Company over the course of the year. However, as noted in the Committee Chairman's Annual Statement on Remuneration, both the Committee and the Executive Directors were disappointed that the EBITDA margin target was not achieved and, also acknowledging the delay in publication of the results, have agreed for 2021 that no bonus should be paid.

	Maximum bonus entitlement (% of salary)	Maximum bonus payable (000)	Formulaic Bonus calculation (000)
Sir Martin Sorrell	100%	£100	£58
Victor Knaap	100%	€210	€121
Wesley ter Haar	100%	€210	€121
Peter Rademaker	100%	€294	€169
Pete Kim	100%	\$207	\$119
Christopher S. Martin	100%	\$207	\$119
Scott Spirit	100%	SGD540	SGD311

Non-Executive Directors' remuneration as a single figure (Audited)

£000	Year to 31 December 2021	Year to 31 December 2020 ¹
Rupert Faure Walker	45	34
Paul Roy	45	34
Sue Prevezer	38	28
Daniel Pinto	38	28
Elizabeth Buchanan	38	28
Naoko Okumoto	38	28
Margaret Ma Connolly	38	28
Miles Young ²	38	19
Total	318	227

Notes:

- As disclosed in previous Directors' Remuneration Reports, the annual fee payable to the Non-Executive Directors for 2020 was increased to £37,500 and an additional fee of £7,500 was introduced for each of the Senior Independent Director, Chair of the Audit and Risk Committee and Chair of the Nomination and Remuneration Committee. These fees were effective from 1 January 2020. However, in response to the covid-19 outbreak it was agreed that the fees payable to the NEDs would be reduced by 50% from 1 April 2020. The fees were returned to their full levels with effect from 1 October 2020 and remained unchanged for 2021.
- Miles Young was appointed to the Board on 1 July 2020. His fee for the year to 31 December 2020 is shown pro rata for the length of his service in the year and is inclusive of £4,688 paid in 2021 but relating to services provided in 2020.

Payments for loss of office (Audited)

No payments for loss of office were made during 2021.

Peter Rademaker decided not to seek re-election at the AGM following Mary Basterfield's appointment to the Board on 3 January 2022. He received no payments for loss of office but remained employed by the Company until 31 January 2022, during which time he received his salary and other benefits. He will remain on the Board as a Non-Executive Director until the conclusion of this year's AGM.

Remuneration Report continued

Directors' interests in shares and share options (Audited)

The consideration payable by the Group in respect of business combinations has included a substantial proportion of equity in the Company. Equity consideration has, to date, been issued subject to a two-year restriction on sale or transfer. It is the intention of the Board to continue to structure transactions in this fashion in order both to incentivise senior management (and the Group's people more broadly) in the long term and to support the Company's strategy of operating the Group on a unitary basis.

As a consequence, the Executive Directors who previously held equity in MediaMonks or MightyHive now hold a substantial number of the Company's shares. Further, Sir Martin Sorrell is a substantial shareowner in the Company as a consequence of his foundational investment into S⁴Capital Limited.

In the context of the significant share ownership of the Executive Directors, there has to date been no formal minimum shareholding requirement. However, the new Directors' Remuneration Policy formalises the Committee's expectation that new Directors who do not have a material holding of the Company's shares must acquire shares equivalent in value to two times basic salary as soon as reasonably practicable following appointment and with the expectation this will normally be within five years of appointment.

Details of Directors' interests in Ordinary Shares and Incentive Shares as at 31 December 2021 are set out in the table below.

	Interest in Ordinary Shares	Interest in Incentive Instruments	
	At 31 December 2021	At 31 December 2021	At 31 December 2020
Sir Martin Sorrell ¹	54,209,810	4,000	4,000
Victor Knaap ²	17,546,066	–	–
Wesley ter Haar ²	17,546,067	–	–
Peter Rademaker	957,644	–	–
Pete Kim ²	8,049,180	–	–
Christopher S. Martin ²	8,564,506	–	–
Scott Spirit ³	247,494	2,000	2,000
Rupert Faure Walker	808,450	–	–
Paul Roy	1,950,129	–	–
Sue Prevezer	293,512	–	–
Daniel Pinto ⁴	38,043,824	–	–
Elizabeth Buchanan	37,777	–	–
Naoko Okumoto	25,396	–	–
Margaret Ma Connolly	9,523	–	–
Miles Young	50,000	–	–

Notes:

- Sir Martin Sorrell holds 4,000 vested A2 Incentive Shares and also holds the B share.
- Victor Knaap and Wesley ter Haar hold their interests in Ordinary Shares through (i) Oro en Fools B.V., their joint personal holding vehicle which is owned (indirectly) 50% by Victor Knaap and 50% by Wesley ter Haar; and (ii) Zen 2 B.V., the ordinary share capital of which is owned 51% by Oro en Fools B.V. and 49% by funds managed by Bencis Capital Partners B.V. The interests in Ordinary Shares of Victor and Wesley noted above are the aggregate totals of the ordinary shares held by these entities. Certain of the interests of Christopher S. Martin and Pete Kim are held by them through certain family trust arrangements.
- Scott Spirit has options to subscribe for a total of 2,666 A1 Incentive share options (this includes the 2,000 Incentive share options disclosed in the table above), as explained on page 85.
- Shares acquired by Stanhope Entrepreneur Fund, a growth capital fund managed by Stanhope Capital, of which Daniel Pinto is Chief Executive.

The Company has been notified of the following changes to the Directors' interests between 31 December 2021 and the date of this report:

- On 7 January 2022, Scott Spirit acquired 9,250 Ordinary Shares. Following this purchase, he holds 256,744 Ordinary Shares.
- On 7 January 2022, Sir Martin Sorrell acquired 10,000 Ordinary Shares. On 19 January 2022, he purchased a further 10,000 Ordinary Shares. Following these purchases, he holds 54,229,810 Ordinary Shares.
- On 20 January 2022, SEF4 Investment SCSp, a PCA of Daniel Pinto, transferred directly to one of its investors 1,435,862 Ordinary Shares. SEF4 Investment SCSp is managed by Stanhope Capital, of which Daniel Pinto is the Chief Executive.
- On 4 February 2022, Paul Roy sold 80,000 Ordinary Shares he personally held and his SIPP purchased 80,000 Ordinary Shares on the same day. Following this sale and purchase, Paul Roy continues to have an interest in 1,950,129 Ordinary Shares.
- On 7 April 2022, SEF4 Investment SCSp transferred directly to one of its investors 462,117 Ordinary Shares. Following this transfer, SEF4 Investment SCSp holds 35,913,245 Ordinary Shares.
- On 11 April 2022, SEF4 Investment SCSp transferred directly to one of its investors 19,983,049 Ordinary Shares. Following transfer, SEF4 Investment SCSp holds 16,392,313 Ordinary Shares, representing approximately 2.95% of the entire issued share capital of the Company.

Mary Basterfield was appointed as a Director on 3 January 2022 and as at the date of this report she did not have a beneficial interest in Ordinary Shares. Prior to her appointment as a Director she was granted an equity award in connection with her recruitment under the terms of the Employee Share Ownership Plan, as explained in the statement from the Chairman of the Nomination and Remuneration Committee on page 68. This award was granted on 13 December 2021 and is a nil-cost option over 76,913 shares. The award vests two years after grant subject to continued employment and the satisfaction of specific performance conditions.

The S⁴ Limited Scheme/Scheme interests awarded during the financial year

Arrangements were put in place shortly after the formation of S⁴Capital 2 Limited (formerly S⁴Capital Limited) (S⁴ Limited) to create incentives for those certain executives who are expected to make key contributions to the success of the Group. The Group's success depends upon the sourcing of attractive investment opportunities and the improvement of the performance of any businesses that are acquired. Accordingly, an incentive scheme (the S⁴ Limited Scheme, or the Incentive Share scheme) was created to reward key contributors for the creation of value through the use of Incentive Shares.

Sir Martin Sorrell subscribed for A2 Incentive Shares in May 2018 and Scott Spirit was granted an option to subscribe for A1 Incentive Shares in January 2020. The terms of these awards are set out in the table below.

	Number of Incentive Instruments	Date of Issue
Sir Martin Sorrell	4,000 A2 Shares	29 May 2018
Scott Spirit ¹	2,000 A1 Share options	Option issued 27 January 2020 following Nomination and Remuneration Committee approval December 2019

Note:

1. Scott Spirit also has an option to subscribe for up to an additional 666 A1 Incentive Shares in the event of the issue of any further Incentive Shares by the Directors. The purpose of this additional award is to ensure that his interest in the Incentive Shares is maintained at the same level (5%) in the event of the issue of further Incentive Shares.

There were no new Scheme interests awarded during the year ended 31 December 2021.

The Directors of S⁴ Limited have the authority to issue a further 2,000 A1 Incentive shares. The issue of further Incentive Shares will not increase the aggregate entitlement of the holders of Incentive Shares above 15% of the growth in value of S⁴ Limited.

The Incentive Shares are subject to a number of conditions, as set out more fully below.

Remuneration Report continued

Terms of the S⁴ Limited Scheme

The Incentive Shares entitle the holders, subject to certain performance criteria and leaver provisions, to up to 15% of the growth in value of S⁴ Limited from the plan's inception provided that the growth condition (as described below) has been met.

Provided that the growth condition has been satisfied, the Incentive Shares entitle the holders to their return upon a sale or combination of S⁴ Limited, its liquidation, the takeover or combination of the Company or, if none of those events has occurred prior to 9 July 2023 (being the fifth anniversary of the combination with Media.Monks by S⁴ Limited), if Sir Martin Sorrell serves notice on the Company requiring it to acquire all of the Incentive Shares eligible for sale on or before 9 July 2025 (being the seventh anniversary of the combination with Media.Monks). If Sir Martin serves such a notice, the growth in value of S⁴ Limited is measured against the market capitalisation of the Company based on an average of the mid-market closing price of the Ordinary Shares over the preceding 30 trading days, plus any dividends or distributions over time. Once triggered, all of the Incentive Shares eligible for sale receive value at the same time on a pro rata basis and then automatically reset such that they may receive the same return over a second period of up to seven years.

The consideration payable if the Incentive Shares are triggered, save on a takeover, liquidation or combination of S⁴ Limited, will be satisfied by the issue of Ordinary Shares in S⁴Capital plc at the average of the mid-market closing price of the Ordinary Shares over the 30 trading days preceding the triggering of the Incentive Shares.

Growth condition

The growth condition is the compound annual growth rate of the invested capital in S⁴ Limited being equal to or greater than 6% per annum since the foundational investment into S⁴ Limited on 29 May 2018. The growth condition takes into account the date and price at which shares in S⁴ Limited have been issued, the date and price of any subsequent share issues and the date and amount of any dividends paid, or capital returned by S⁴ Limited to the Company. Any cash raised by the Company from time to time has been and will continue to be invested in S⁴ Limited so that the growth condition will apply to that capital also.

Conditions

The Incentive Instruments are subject to certain conditions, at least one of which must be (and continue to be) satisfied in order for Sir Martin Sorrell (as the holder of the majority of the A2 Incentive Shares) to elect for the A1 share options and A2 Incentive Shares to be sold to the Company. The A1 and A2 Incentive Shares and Options will vest into Ordinary Shares of S⁴ Capital plc in the following circumstances:

- a sale of all or a material part of the business of S⁴ Limited;
- a winding up of S⁴ Limited occurring;
- a sale or change of control of S⁴ Limited or the Company; or
- if later, on 9 July 2023 (being the fifth anniversary of the MediaMonks combination).

Compulsory redemption

If the growth condition is not satisfied on or before 9 July 2025 (being the seventh anniversary of the combination with MediaMonks), or such later date as the Company and each of the Incentive Share classes agree, the Incentive Shares must be sold to the Company at a price per Incentive Share equal to the subscription price of £25.00 per Incentive Share.

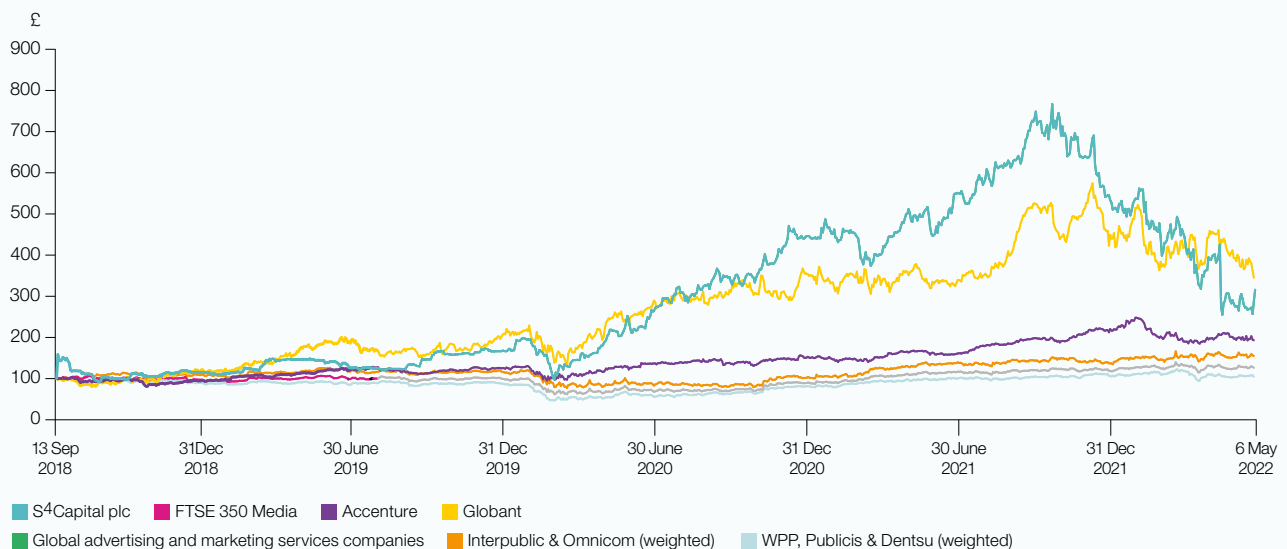
Leaver provisions

The Incentive Shares are subject to leaver provisions. If a holder of Incentive Shares ceases to be employed by or hold office with the Group, that holder will become a 'Leaver' and, depending on the circumstances of his or her departure, certain of his or her Incentive Shares may be subject to forfeiture.

Share price

The chart below illustrates the performance over the period of an investment of £100 in the Company's shares made on 13 September 2018, shortly before the Company acquired the S⁴Capital Group and was re-admitted to trading on the Official List, to 31 December 2021 and also to 6 May 2022. This has been compared to the performance of the same investment on the same date in both (i) the FTSE 350 Media Sector, and (ii) a market capitalisation-weighted basket of five other global advertising and marketing services companies. The chart also illustrates the comparative performance of these five companies on a regional basis, separating the US companies from the others, as well as that of Accenture and Globant. The Board believes that, taken together, these are the most appropriate broad comparators for the Company's performance for the purpose of the reporting regulations.

Total Shareholder Return



The table below sets out the performance of an investment of £100 made in the Group on 29 May 2018, which was the date of the foundational investment into S⁴ Limited, through the dates of the Group's placings and business combinations and up to the end of the year to 31 December 2021. This has been compared against the performance of an equivalent investment made on 29 May 2018 in the same comparators used in the chart above.

	29 May 2018	09 July 2018	24 December 2018	31 December 2018	25 October 2019	31 December 2019	16 July 2020	31 December 2020	31 December 2021
S ⁴ Capital plc	100	116	128	138	165	224	366	581	737
FTSE 350 Media	100	105	96	97	114	120	94	107	133
Global advertising and marketing services companies	100	104	91	94	94	98	72	85	123
Interpublic & Omnicom (weighted)	100	108	101	107	115	118	92	103	153
WPP, Publicis & Dentsu (weighted)	100	102	85	87	80	84	56	73	102
Accenture	100	108	92	97	126	140	155	172	278
Globant	100	111	108	115	179	208	327	413	602

Remuneration Report continued

The table below sets out the Executive Chairman's total remuneration as a single figure, together with the percentage of maximum annual bonus awarded over the same period as the chart above in respect of the Company's share price.

	Year to 31 December 2018	Year to 31 December 2019	Year to 31 December 2020	Year to 31 December 2021
Executive Chairman single figure of remuneration (£000)	140	272	218	203
Annual bonus payout (% of maximum)	100%	85%	75%	0%
Share award vesting (% of maximum)	n/a	n/a	n/a	n/a

Note: The formulaic bonus outcome for the year to 31 December 2021 is 57.5% although no actual bonus was paid.

Percentage change in remuneration of Directors compared to employees

The table below shows the year-on-year percentage change in salary, benefits and bonus for each Director for each of the last two financial years, compared with the average change in employee pay.

The figures for the Directors are based on the disclosures in the single total figure table on page 81 and the corresponding table from last year's Directors' Remuneration Report.

The figures for 2021 compared to 2020 indicate some significant year-on-year increases in salary and fees. This is due to the 2020 salary and fee numbers being lower than normal because of the pay reductions taken by the Directors in response to the covid-19 outbreak, as explained in previous Directors' Remuneration Reports. In respect of the year-on-year decrease in annual bonus, the formulaic outcome for the FY21 bonus is 57.5% of maximum, however no bonus was paid to the Executive Directors.

	2021 vs 2020			2020 vs 2019		
	Salary/Fees	Benefits	Bonus	Salary/Fees	Benefits	Bonus
Executive Directors						
Sir Martin Sorrell	33%	62%	-100%	-25%	-21%	-12%
Victor Knaap	95%	88%	-100%	-48%	100%	-16%
Wesley ter Haar	95%	88%	-100%	-48%	100%	-16%
Peter Rademaker	29%	-	-100%	-22%	-	-8%
Pete Kim	278%	100%	-	-75%	-100%	-
Christopher S. Martin	51%	1,500%	-	-36%	-96%	-
Scott Spirit ¹	28%	-5%	-100%	-	-	-
Non-Executive Directors						
Rupert Faure Walker	32%	-	-	35%	-	-
Paul Roy	32%	-	-	35%	-	-
Sue Prevezer	36%	-	-	13%	-	-
Daniel Pinto	36%	-	-	13%	-	-
Elizabeth Buchanan ¹	36%	-	-	-	-	-
Naoko Okumoto ¹	36%	-	-	-	-	-
Margaret Ma Connolly ¹	36%	-	-	-	-	-
Miles Young ¹	-	-	-	-	-	-
All UK Group employees²	5.7%	-5.7%	-67.4%	3%	-16%	11%

Notes:

- Percentage change not shown for these Directors in certain periods as they did not serve for the full prior year.
- Included to provide a more representative sample of the wider employee base in the United Kingdom (UK).

Although S⁴Capital did not have more than 250 UK employees during 2021, and is thus not formally required to publish the ratio of the Executive Chairman's pay to the wider UK employee base, the Committee has decided to again do so as a matter of good practice.

Year	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2021¹	Option A	5.0	3.6	2.6
Total pay and benefits £000		£40	£57	£77
Salary £000		£39	£54	£71
2020 ¹	Option A	5.3	3.7	2.8
Total pay and benefits £000		£41	£59	£77
Salary £000		£37	£51	£71
2019 ¹	Option A	6.8	5.8	4.1
Total pay and benefits £000		£40	£47	£67
Salary £000		£40	£47	£65

Note:

1. The calculations of the pay for the employees at the different levels have been calculated as of 31 December of each relevant year.

The relevant reporting regulations give companies the option of calculating the CEO pay ratio using a number of different methodologies, known as Option A, Option B or Option C. We have chosen Option A, which involves calculating a single figure for each UK employee based on their actual pay for the year. This ensures that the most accurate information is used for the purposes of calculating the ratio and is the option most favoured by investors. A full-time equivalent calculation has been applied to the pay of part-time employees and those leaving or joining during each year to ensure an appropriate annualised comparison with the pay of the Executive Chairman.

The Committee believes that the median pay ratio for 2021, as disclosed in the table above, is reflective of the current pay policies across the Group as a whole at this stage. Employees' pay packages are designed to be competitive and to ensure that performance as a whole is rewarded through appropriate incentive schemes. The ratios at all three levels also reflect the fact that the pay for the Executive Chairman is relatively low when compared with the pay for leaders of companies of a similar size to S⁴Capital. There have not been any substantive changes in the pay ratio from 2020.

To date, the Committee has not directly engaged with the workforce to explain how executive remuneration aligns with wider Company pay policy. However, the Committee is responsible for monitoring workforce remuneration and related policies and the relationship between the Directors' Remuneration Policy and the arrangements in place for the wider workforce.

Remuneration Report continued

Relative importance of spend on pay

The table below shows the relative importance of spend on pay for all of the Group's people in comparison to distributions to shareowners. Total pay includes wages and salaries, pension costs, social security and share-based payments. The Company did not make any distributions to shareowners in respect of the financial period.

	Year to 31 December 2020	Year to 31 December 2021	% change
Average number of employees	2,677	5,794	116.4
Total personnel costs (£000)	205,135	412,537	101.1
Total distributions to shareowners (£000)	–	–	–

Statement of voting on remuneration

The table below provides details of the voting results on (1) the Directors' Remuneration Report resolution presented for shareowner approval at the AGM held on 7 June 2021, and (2) the Directors' Remuneration Policy resolution presented for shareowner approval at the AGM held on 29 May 2019.

	Votes for	Votes against	Total votes cast	Votes withheld
Approve the Directors' Remuneration Report (2021 AGM)	287,243,672 98.93%	3,107,176 1.07%	290,350,848	10,390,870
Approve the Directors' Remuneration Policy (2019 AGM)	224,366,978 99.97%	60,300 0.03%	224,427,278	31,328,479

Nomination and Remuneration Committee membership and meetings

The Committee comprises three independent Non-Executive Directors. There were six meetings of the Committee held during the year. The following table sets out details of attendance at Committee meetings.

	Committee member since	Attendance at meetings during 2021
Paul Roy (Chairman)	28 September 2018	6/6
Rupert Faure Walker	28 September 2018	6/6
Sue Prevezer	14 November 2018	6/6

Sir Martin Sorrell may attend meetings as an observer by invitation. No Director participates in decisions regarding his or her own remuneration.

During 2021, the Committee received external advice from Korn Ferry, for which it received fees of £31,000. Korn Ferry was appointed by the Committee and the Committee is satisfied that the advice it receives is objective and independent. Korn Ferry is a member of the Remuneration Consultants Group and operates under its code of conduct. No other services were provided by Korn Ferry to the Company during 2021.

Implementation of Remuneration Policy for 2022

Subject to shareowner approval at the AGM, a new Directors' Remuneration Policy will apply from the date of the AGM. The full Policy is set out on pages 71 to 80. For the year ending 31 December 2022, the Nomination and Remuneration Committee will implement the Policy as follows.

Basic salary

Salaries for the Executive Directors continue to be set at levels which are lower than the rates payable for equivalent roles at similarly-sized companies. This approach will continue to apply for 2022.

The Committee has agreed to increase the basic salary for Sir Martin Sorrell from £100,000 to £250,000 with effect from 1 January 2022. The new salary is now more aligned with the salaries for the other Executive Directors and reflects the growth and increased complexity of the business, while remaining well below the market rate for leaders of companies of a similar size and complexity to S⁴Capital.

Mary Basterfield, who joined the Board as CFO on 3 January 2022, has been appointed on a salary of £370,000.

The Committee has agreed that there will be no salary increases for the other Executive Directors for FY22.

Pension and benefits

Sir Martin Sorrell will continue to receive a pension at a level of 30% of basic salary, and Scott Spirit will receive a pension at a level of 10% of basic salary. After 31 December 2022, and in line with the new Directors' Remuneration Policy, these pensions will reduce to 4% of basic salary, thus aligning with the UK workforce rate.

The same rate applies to Mary Basterfield.

Wesley ter Haar and Victor Knaap will continue to receive Dutch age-related pension contributions for 2022. Pete Kim and Christopher Martin will continue to receive pension contributions via a US 401(k) plan.

Benefits provided will be similar to those provided in 2021.

Annual bonus

The Committee has decided that the annual bonus scheme for 2022 will operate in a broadly similar manner to that in place for 2021. 70% of the bonus scheme will again be payable by reference to performance measured against financial metrics, namely gross profit growth and EBITDA margin. The remaining 30% will be payable by reference to key non-financial objectives, including ESG performance, diversity, equity and inclusion and measures linked to the ongoing integration of the various businesses within S⁴Capital. Full details of the metrics and targets will be disclosed in next year's Remuneration Report.

The maximum bonus opportunity for 2022 will be 100% of basic salary for all Executive Directors, the same rate as applied in 2021.

The bonus scheme includes the discretion to adjust formulaic outcomes and recovery and withholding provisions, as summarised in the Directors' Remuneration Policy.

Share incentives

In line with the terms of her appointment, as summarised on pages 67 to 68, Mary Basterfield will receive an award of shares with a face value at grant of £500,000 (being c. 135% of base salary). This award will be subject to the satisfaction of performance targets based on gross profit and EBITDA margin over the financial year ending 31 December 2022. To the extent that the performance targets are satisfied, the award will vest in 2026, four years after grant. The award will be split equally between a nil cost option and a market-priced option.

At the time of writing, the Committee does not have any plans to grant new share incentive awards to any other Executive Director during 2022. However, the Committee will keep this matter under review during the year and may take a different approach if deemed appropriate. Any awards will be consistent with the terms of the Directors' Remuneration Policy.

Non-Executive Directors

The NEDs receive a base fee of £37,500, with an additional fee of £7,500 paid to each of the Senior Independent Director, Chair of the Audit and Risk Committee and Chair of the Nomination and Remuneration Committee. These fees remain unchanged for 2022. ■

Directors' Report

S⁴Capital plc is incorporated and domiciled in the UK and is registered in England with the registered number 10476913. The correspondence address and registered office of the Company is 12 St James's Place, London SW1A 1NX.

This report has been drawn up and presented in accordance with, and in reliance upon, applicable English law and the liabilities of the Directors in preparing this report shall be subject to the limitations and restrictions provided by such law. The Directors' Report is designed to inform shareowners and help them assess how the Directors have performed their duty to promote the success of the Company.

Strategic Report and corporate governance

The Strategic Report can be found on pages 8 to 38 and is included by reference into this Directors' Report. The Strategic Report sets out the development and performance of the Group's business during the financial period, the position of the Group at the end of the period, a description of the principal risks and uncertainties facing the Group, details of the Group's diversity, equity and inclusion policy and reporting of ESG activities. The Strategic Report also sets out a summary of how the Directors have engaged with our people as well as how the Directors have had regard to the need to foster the Group's business relationships with suppliers, customers and others, in line with Section 172i (page 28). The other sections of the Group's Governance Report are also included by reference into this report. The industry outlook set out on pages 40 to 46 sets out an indication of future developments and is included by reference into this report.

Dividend

No dividend was declared or paid in respect of the year to 31 December 2021 and the Directors are not recommending that a final dividend be paid. The Directors continue to review the advisability of declaring a modest dividend in the future. The payment of any dividends will be subject to maintaining an appropriate level of dividend cover and the need to retain sufficient funds for reinvestment in the business, to finance any combination opportunities or capital expenditure, and for other working capital purposes.

Share capital

The shares in issue at the year-end comprised 555,307,572 Ordinary Shares of £0.25 each (2020: 542,065,458 Ordinary Shares of £0.25 each) and one B Share of £1.00 (2020: one), giving a total nominal value of 138,826,892 (2020: £135,516,364). Movements in the Company's share capital in the year are shown in the consolidated statement of changes in equity.

The holders of Ordinary Shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company. The holder of the B Share has no right to receive dividends and is entitled to one vote at general meetings of the Company when voting in favour of resolutions, and such number of votes as may be required to defeat the relevant resolution when voting against.

The Ordinary Shares have a standard listing on the London Stock Exchange.

Restrictions on transfer of securities

The Ordinary Shares are freely transferable and there are no restrictions on transfer. Except for Sir Martin Sorrell, who holds the B Share, as a result of which he exercises a significant degree of control over the Company (as more fully described in the Governance Report on page 61). No other person holds securities in the Company carrying special rights with regard to control of the Company. The Company is not aware of any agreements between holders of securities that may result in restrictions on the transfer of securities or voting rights.

Amendment of Articles of Association

Any amendments to the Articles may be made in accordance with the provisions of the Companies Act 2006 by way of special resolution.

Appointment and removal of Directors

Any appointment and removal of a Director requires the consent of Sir Martin Sorrell as the holder of the B Share. The processes for the appointment and replacement of Directors are governed by the Company's Articles of Association and the Companies Act 2006. In accordance with the UK Corporate Governance Code, Directors stand for election at the Annual General Meeting following their appointment, and stand for re-election on an annual basis at each Annual General Meeting thereafter.

Powers of the Company Directors

The AGM in 2021 authorised the Directors to allot shares up to a maximum nominal amount of £45,381,311.33 (i.e. one-third of the Company's then-issued and outstanding share capital) and to buy back up to 54,457,574 Ordinary Shares (i.e. 10% of the Company's then-issued outstanding share capital). At the 2022 AGM, shareowners will be asked to renew the Directors' authority to allot new securities and to buy back existing Ordinary Shares. Details are contained in the Notice of Annual General Meeting.

Substantial shareholdings

As at 14 May 2022, the Directors had been advised of the following interests representing 3% or more of the Company's issued and outstanding Ordinary Shares.

Substantial shareowners of 3% or more, as at 14 May 2022	Number of shares	% shareholding
Sir Martin Sorrell ¹	54,229,810	9.752
Oro en Fools B.V.	35,000,000	6.294
Rathbone Investment Management	27,344,419	4.917
Canaccord Genuity Wealth Management	26,628,566	4.789
Jupiter Fund Management	26,555,771	4.775
Permian Investments Partners	23,827,932	4.285

Note:

1. In addition, Sir Martin Sorrell has, in aggregate, donated 3,910,000 Ordinary Shares to the UBS Donor Advised Foundation.

It should be noted that these holdings may have changed since being notified to the Company. However, notification of any change is not required until the next applicable threshold is crossed. As at the date of this report, no further changes had been notified to the Company pursuant to Rule 5.1 of the Disclosure and Transparency Rules.

Directors

The Directors of the Company up to the date of this report are named on pages 48 to 55 together with their profiles and the details of any committees they are on. Mary Basterfield joined the Board as our new Chief Financial Officer on 3 January 2022, with Peter Rademaker retiring from day-to-day operations but remaining on the Board as Non-Executive Director until the conclusion of this year's AGM.

Pete Kim has also decided to step down from the Board at this year's AGM. All other Directors who have served during the year and who remain a Director as at 31 December 2021 will retire and offer themselves for election at the forthcoming AGM.

The interests of the Directors in the share capital of the Company at 31 December 2021, the Directors' total remuneration for the year and details of their service contracts and Letters of Appointment are set out in the Directors' Remuneration Report on pages 71 to 91.

Other than the Incentive Shares held by Sir Martin Sorrell and the options over Incentives Shares held by Scott Spirit as disclosed on page 85, no Directors have beneficial interests in the shares of any subsidiary company. The interests of the Directors in the share capital of the Company have not changed between 31 December 2021 and 14 May 2022, except as noted on page 85.

Directors' Report continued

Directors' indemnities

The Company maintains Directors' and officers' liability insurance, which gives appropriate cover for legal actions, which might be brought against its Directors and officers. The Directors also have the benefit of an indemnity from the Company, the terms of which are in accordance with the Companies Act 2006.

Directors' conflict of interest

The Group has procedures in place for managing conflicts of interest. Should a Director become aware that he or she, or his or her connected parties, have an interest in an existing or proposed transaction with the Group, he or she should notify the Board in writing or at the next Board meeting. Internal controls are in place to ensure that any related party transactions involving Directors, or their connected parties, are conducted on an arm's length basis. Directors have a continuing duty to update any changes to these conflicts.

Significant agreements – change of control

The Group's term loan and revolving facility contain customary prepayment, cancellation and default provisions including, if required by a lender, mandatory prepayment of all utilisations provided by that lender upon the sale of all or substantially all of the business and assets of the Group or a change of control. The Company does not have agreements with any Director that would provide compensation for loss of office or employment resulting from a takeover except for provisions, which may cause awards granted under such arrangements to vest on a takeover.

Corporate responsibility

The Board considers that issues of corporate responsibility are important. The Board's report, including the Group's policies on employee involvement, is set out on pages 16 to 27.

Applicants with disabilities are given equal consideration in our application process. In respect of existing employees and those who may become disabled, the Group's policy is to examine ways and means to provide continuing employment under its existing terms and conditions and to provide training and career development, including promotion, wherever appropriate. Disabled employees have equipment and working practices modified for them as far as possible and practicable.

Group Energy and Carbon Report

This Energy and Carbon Report for the Group for the year ending 31 December 2021 is provided in compliance with the requirements for Streamlined Energy and Carbon Reporting, as set out in Part 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008.

This Energy and Carbon Report focuses on the scope 1 and scope 2 emissions (and associated energy usage) which we are required to report separately under the regulations. For a broader discussion of the Group's carbon footprint, and its approach to emissions and sustainability please see the ESG: sustainability and corporate responsibility section of the Strategic Report and the separate Media.Monks ESG Report. Amongst other things this includes discussion of our scope 3 emissions.

Streamlined Energy and Carbon Reporting energy data and emissions

Emissions	UK and offshore 2021	UK and offshore 2020	Global 2021	Global 2020
Scope 1 (tCO ₂ e)	15.04	7.44	164.9	210.60
Scope 2 (tCO ₂ e)	14.17	10.69	579.52	387.92
Scope 1 and 2 (tCO ₂ e)	29.21	18.13	744.42	598.52
Energy consumption	UK and offshore 2021	UK and offshore 2020	Global 2021	Global 2020
Total energy consumption used to calculate above emissions (kWh)	158,574	95,800	4,050,717	2,644,960
Intensity ratio	UK and offshore 2021	UK and offshore 2020	Global 2021	Global 2020
Emissions (scope 1 and scope 2) per FTE in Kg (CO ₂ e)	204.3	171.98	192.64	240.63

Comparison against previous year's emissions

For the year to 31 December 2020, the Group measured its global carbon footprint for the first time. As 2020 and 2021 were both abnormal years with regards to the covid-19 measurements all over the world, caution needs to be taken in comparing 2020 and 2021 figures. The Group's reported UK energy usage for the year to 31 December 2021 was 158.574 kWh (2020: 95.800kWh), with an intensity ratio of 204.3 kg CO₂e per FTE (2020: 171.98 kg CO₂e per FTE). This shows that our absolute energy consumption as well as our intensity emissions have gone up in the UK specifically. However, the closure and/or limited occupancy of a number of offices in 2020 as well as 2021 due to covid-19 needs to be taken into account in any comparison of the 2020 and 2021 figures. The longer-term impact of changing working patterns (as a result of covid-19 and otherwise) on its carbon footprint is something that the Group will keep on monitoring going forwards.

Methodology

The Group calculated its emissions in accordance with the GHG Reporting Protocol – Corporate Standard. For the energy and emissions calculations, we have used actual data where possible. However, in some cases, estimates based on extrapolation had to be used. For example, for some of the Group's shared offices the energy use (and cost) is shared amongst various different organisations inhabiting what is effectively the same space – and in these cases we have had to extrapolate the Group's share of the consumption based on a headcount or other reasonable basis.

To convert input energy usage data (e.g. electricity used, number of kilometres driven) to CO₂, we have used the most recent and applicable available conversion factors (e.g. from DEFRA or CO₂emissiefactoren.nl). For electricity consumption, those conversion factors were location-based. We have also used appropriate recognised conversion factors to convert input data for gas, district heating and company cars into kWh for the reporting of overall energy usage. The averages per FTE used in the intensity ratios are based on the average number of FTE from entities in scope throughout the year (which for 2021 was 3,824). Also note that due to covid-19 many of our offices were only open for a few months of the year and data from the home-workspaces of our employees (e.g. gas and electricity use) is not included in the reported emissions.

Energy efficiency actions taken

The Group continually looks for opportunities to improve the energy efficiency of its business. As an expanding business, an important element of this is new offices. Sustainability matters are taken into account in our selection and integration of new offices. For our current offices, we sent out a questionnaire in 2021 regarding sustainability measures taken. This includes for example questions on whether the local office procures green energy or has LED lighting installed. Based on this information we aim to work on a specific plan for each office since the barriers for sustainable energy consumption and efficiency are often local.

Another important element regarding energy efficiency is the electricity and server use for the work the Group is doing for its clients. With the Sustainable Work pillar and specifically the Green Production Manifesto that was developed in 2021 and will be brought further during the coming years, the Group is looking to identify ways to decrease its energy consumption in this area – for example, by making algorithms smaller. These measures will not only reduce the energy consumption for the Group, but also the end-consumer. For a wider discussion of the Group's initiatives relating to energy efficiency and sustainability please see the ESG: sustainability and corporate responsibility section of the Strategic Report (see page 16) and the 2021 Media.Monks ESG Report.

Employees

The Group is committed to equal opportunities and non-discrimination in all aspects of employment, regardless of age, beliefs, physical challenges, ethnic origin, gender, marital status, race, religion or sexual orientation. The Group also complies with all applicable national and international human and labour rights within the locations in which it operates. Robust communications channels ensure that our people are kept informed of the Group's activities, performance and future plans.

Directors' Report continued

Political donations

During the year the Group did not make any donations or contributions to any political party or other political organisation and did not incur any political expenditure within the meanings of sections 362 to 379 of the Companies Act 2006.

Events after the balance sheet date

Events after the balance sheet date are disclosed in Note 28 to the financial statements.

Annual General Meeting

The 'hybrid' AGM of the Company will be held at 1.00 pm on 16 June 2022. For participation details please refer to the Notice of AGM.

The resolutions being proposed at the 2022 AGM include the receipt of this Annual Report and Accounts including the Directors' Remuneration Report, the approval of the revised Directors' Remuneration Policy, the election or re-election of members of the Board, the reappointment of the auditors, the renewal for a further year of the limited authority of the Directors to allot the unissued share capital of the Company and the disapplication of pre-emption rights, the renewal of the authority to make off-market purchases, the request for shareowner approval to reduce the notice period for calling general meetings (other than the AGM) to 14 clear days, the approval of the capitalisation of the Company's merger reserve, the approval of a capital reduction, an amendment to the Company's articles of association, and the approval of a new schedule to the Company's Employee Share Ownership Plan.

Fairness Statement

The Board considers that the Annual Report and Accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareowners to assess the Company's position and prospects, including its performance, business model and strategy. While this is the Board's responsibility, it is overseen by the Audit and Risk Committee who ensure that management's disclosures reflect the supporting detail or challenge them to explain and justify their interpretation. The Audit and Risk Committee reports its findings and makes recommendations to the Board accordingly. The Audit and Risk Committee is supported in this role by using the expertise of the statutory auditor, who in the course of the audit, considers whether accounts have been prepared in accordance with IFRS and whether adequate accounting records have been kept.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out on pages 8 to 38. The financial position of the Group, its billings, gross profit and profitability are described on page 98 onwards. In addition, Note 5 to the Group financial statements include the Group's objectives, policies and processes for managing its capital and financial risk, its financial risk management objectives, details of its financial instruments and hedging activities and its exposures to credit risk and liquidity risk. Having considered the Group's cash flows, liquidity position and borrowing facilities, the Board has a reasonable expectation that the Company and Group have adequate resources to meet their financial obligations as they fall due for a period of at least 12 months from the date of signing these financial statements and future and have therefore continued to adopt the going concern basis in preparing these financial statements. For further details on going concern see Note 2 on page 113.

Independent auditors

PricewaterhouseCoopers LLP has confirmed its willingness to continue as auditors of the Group.

In accordance with section 489 of the Companies Act 2006, separate resolutions for the appointment of PricewaterhouseCoopers LLP as auditors of the Group and for the Directors to determine its remuneration will be proposed at the forthcoming AGM of the Company.

Statement of Directors' responsibilities in respect of the financial statements

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the directors have prepared the group financial statements in accordance with UK-adopted international accounting standards and the company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law).

Under company law, 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 Group and Company and of the profit or loss of the Group for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable UK-adopted international accounting standards have been followed for the Group financial statements and United Kingdom Accounting Standards, comprising FRS 101 have been followed for the Company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgments 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 Group and Company will continue in business.

The Directors are responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006.

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

Directors' Report continued

Directors' confirmations

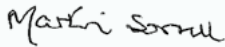
Each of the Directors, whose names and functions are listed in the Governance Report confirm that, to the best of their knowledge:

- the Group financial statements, which have been prepared in accordance with UK-adopted international accounting standards, give a true and fair view of the assets, liabilities, financial position and loss of the Group;
- the Company financial statements, which have been prepared in accordance with United Kingdom Accounting Standards, comprising FRS 101, give a true and fair view of the assets, liabilities and financial position of the company; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that it faces.

In the case of each director in office at the date the Directors' Report is approved:

- so far as the Director is aware, there is no relevant audit information of which the Group's and Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Group's and Company's auditors are aware of that information.

Approved by the Board on 14 May 2022 and signed on its behalf by:



Sir Martin Sorrell
Executive Chairman

Mary Basterfield
Group Chief Financial Officer

14 May 2022

Independent auditors' report to the members of S⁴Capital plc

Report on the audit of the financial statements

Opinion

In our opinion:

- S⁴ Capital plc's Group financial statements and Company financial statements (the 'financial statements') give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2021 and of the Group's loss and the Group's cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 'Reduced Disclosure Framework', and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Accounts 2021 (the 'Annual Report'), which comprise: the Consolidated and Company balance sheets as at 31 December 2021; the Consolidated statement of profit or loss, the Consolidated statement of comprehensive income, the Consolidated statement of cash flows and the Consolidated and Company statements of changes in equity for the year then ended; and the Notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit and Risk Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

Other than those disclosed in Note 7, we have provided no non-audit services to the Company in the period under audit.

Our audit approach

Context

S⁴ Capital plc is a United Kingdom-based company that provides digital advertising and marketing services via three operating segments: Content, Data&Digital Media (DDM) and Technology Services. In the current year, the Group has continued on a strategy of rapid growth through acquisition as further disclosed within Note 4 of the financial statements. Further details regarding our audit procedures over the significant acquisitions in the year have been detailed within our Key Audit Matter in relation to Purchase price allocation and acquisition accounting for significant acquisitions.

Independent auditors' report to the members of S4Capital plc continued

Overview

Audit scope

We conducted an audit of the complete financial information of eight components ('full scope'). Specific balances and financial statement line items were audited within additional components based on their size. Purchase price allocation and acquisition accounting and share-based payments were tested at the Group level. The components where we performed an audit of complete financial information, in addition to the audit of consolidation journals and specified procedures over other components accounted for 74% of Group revenue.

Key Audit Matters

- Purchase price allocation and acquisition accounting for significant acquisitions (Group).
- Fraud in revenue recognition (Group).
- Revenue and cost of sales recognition over time on Content contracts (Group).
- Loan refinancing (Group).
- Existence of bank and cash (Group).
- Carrying value of Investments (Company).

Materiality

- Overall Group materiality: £6.8 million (2020: £3.4 million) based on approximately 1% of revenue.
- Overall Company materiality: £9.0 million (2020: £7.0 million) based on approximately 1% of total assets.
- Performance materiality: £5.1 million (2020: £2.6 million) (Group) and £6.8 million (2020: £5.3 million) (Company).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

The Group's financial statements are a consolidation of 126 legal entities which are included in the Content, DDM or Technology Services segments, of which one entity is split into three reporting branches. We identified that each legal entity and the three reporting branches meet the criteria for a component, and based on this methodology, 28 components (16 Content, six DDM, one Technology Services and five Holding companies (including the debt holding company and the Parent Company) were identified as in scope. Two of these components were deemed financially significant as their revenue made up more than 10% of the Group revenue, and an audit of their complete financial information was performed by the component auditors. We instructed component teams to perform audits of the complete financial information of a further six entities (bringing the total to eight full scope entities) and 20 were identified as in scope due to having individually large or unusual balances. This includes the entity holding the majority of the Group's external borrowings which was included in scope due to the individually large balance and its relevance to a significant risk. Our audit scope addressed 74% of Group revenue. Of the 28 components in scope, 18 trading components were audited by component auditors. The remaining five trading components and five Holding companies (including the debt holding company and the Parent Company) were audited by the Group audit team. Opinions were received from our PwC component teams as envisaged with the exception of four Content components, where modified opinions were received in respect of revenue and cost of sales on open contracts, representing approximately 5% of recognised Group revenue, as a result of significant control deficiencies in those components. Following on from the four modified opinions, the Group team performed additional work over revenue and cost of sales in order to reach a conclusion – see the Key Audit Matter in respect of 'Revenue and cost of sales recognition over time on Content contracts (Group)' below.

Key Audit Matters

Key Audit Matters are those matters that, in the auditors' professional judgment, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

Revenue and cost of sales recognition over time on Content contracts (Group), Existence of bank and cash (Group) and Loan refinancing (Group) are new Key Audit Matters this year. As we emerge from the pandemic, because of the relatively insignificant financial and operational impact of the covid-19 pandemic on the Group's activities in the year under audit, we have no longer included a Key Audit Matter on the Impact of covid-19 (Group and Parent).

Key Audit Matter

Purchase price allocation and acquisition accounting for significant acquisitions (Group)

Refer to Note 2D (Critical accounting estimates and judgments), 3H (Intangible assets) and Note 4 (Acquisitions).

During the year the Group made a number of acquisitions for a total consideration of £219.7 million (see Note 4). As a result of the 2021 acquisitions, the following intangible assets were recognised: customer relationships £86.6 million; brands £2.8 million; order backlog £3.5 million, software £0.8 million, and goodwill of £135.0 million. The Group also finalised the purchase price allocation of Decoded Advertising, Metric Theory, Brightblue and Orca Pacific resulting in the recognition of intangible assets for customer relationships of £56.5 million, brand names of £1.8 million, order backlog of £3.0 million and software of £2.5 million.

Accounting for business combinations can be complex, particularly in relation to the identification of intangible assets and accounting for deferred and/or contingent consideration. Management used an expert to assist them with the acquisition accounting. We focused on the judgments management made in these respects, particularly in relation to the identification and valuation of intangible assets and the critical estimates that could lead to a material misstatement of intangible assets.

How our audit addressed the Key Audit Matter

We obtained the sale and purchase agreements (SPAs) for each acquisition in the period and read them to ensure that we understood the substance of the transaction, including the consideration and the assets and liabilities acquired. We tested cash consideration to bank statements and checked that any deferred and/or contingent consideration had been correctly recognised in line with the acquisition agreements.

We reviewed the purchase price allocation reports provided by management's expert and considered the expert's ability to prepare an analysis to reasonably estimate the value of the acquired intangible assets. We assessed the completeness of the intangible assets recognised by management and the valuation methodologies used, to consider if these were appropriate methods of valuation for these types of assets. We utilised our valuations experts in performing the audit of purchase price allocation and acquisition accounting, including the assessment of the valuation methodologies and assumptions applied by management and their expert.

We recalculated the 2021 and prior year restated amounts as a result of the finalisation of prior year acquisition accounting in accordance with IFRS 3 Business Combinations included within the financial statements. We tested the accuracy and completeness of the models used for calculating the separately identified intangible assets by checking for consistency and comparing them to models used on prior acquisitions within the Group and to those typically used in the industry. We challenged management in particular on the recognition of customer relationships and were able to corroborate these to historical customer data or acquisition specific circumstances.

We agreed the underlying projections to management's cash flow models signed off by the Board as part of their due diligence to ensure both consistency and actual cash flows being in line with those predicted. We challenged the key assumptions used including terminal growth rates and discount rates. We agreed the current assets and liabilities acquired, which consisted mainly of cash and debtor balances, by vouching them to supporting documentation such as bank statements and confirming that they had been treated in line with the terms of the contract.

The recognition of intangible assets is judgmental, but we are satisfied that the assumptions and models used by management are reasonable and consistent with prior years. We are satisfied that the treatment of consideration is in line with IFRS 3 and concur with management's assumption that budgeted profit targets will be met on those acquisitions with contingent consideration.

Fraud in revenue recognition (Group)

Refer to Note 3C (Revenue recognition).

As the Group has ambitious growth plans, we considered the incentive for management to perpetrate fraud by posting fictitious journals to revenue or by accelerating revenue from 2022 into the 2021 financial year in order to achieve targets. Consequently, we considered there to be a risk of material misstatement in relation to revenue.

For 23 components, we determined that this risk related to the occurrence of revenue through posting fictitious journal entries with material revenue amounts and for components with material open contracts, to the accuracy of percentage of completion revenue on open contracts at the year-end (see Revenue recognition over time on content contracts (Group)) below.

To address the occurrence risk, testing for 23 components was completed to identify unusual revenue journal postings. We reviewed the working papers of the component teams, attended calls and discussions to ensure the correct approach was adopted and no issues were noted. The Group audit team also audited Group adjustments to revenue and completed the testing for components directly under the Group team's scope.

Independent auditors' report to the members of S4Capital plc continued

Key Audit Matter

Revenue and cost of sales recognition over time on Content contracts (Group)

Refer to page 62 (Report of the Audit and Risk Committee), Note 2D (Judgment in relation to revenue and Note 3C (Revenue recognition).

Assessing the timing of revenue and cost of sales recognised on open contracts at the year-end is an area of complexity and judgment is required in identifying the performance obligations, whether the income should be recognised over time or at a point in time and assessing the stage of delivery of performance obligations on open contracts where revenue is recognised over time.

Accounting for open contracts was based on the underlying systems and processes in each component. Due to the typical term of contracts being between 3 to 6 months, a full analysis by management of the key judgments including the identification of performance obligations, agency vs principal relationships and in which period revenue and cost of sales should be recognised is typically not performed until after the year end. This analysis is important in ensuring accuracy of percentage of completion.

Given the complexity in estimation and judgment involved, the timing of revenue recognition and the accuracy of project revenue and related costs recorded within the financial statements is subject to both risk of error and fraud as there is an incentive for management to manipulate the results by moving 2022 revenue into 2021 in order to achieve targets. As a result this was considered to be a significant audit risk.

Subsequent to the completion of our initial risk assessment, modified opinions were received from PwC component teams relating to revenue and cost of sales on open contracts, representing approximately 5% of recognised Group revenue across four Content components as a consequence of identifying significant control deficiencies. These significant control deficiencies also impacted two other Content components in respect of the accuracy of percentage of completion of open contracts. In addition, we identified a risk of error in relation to the misapplication of IFRS 15 Revenue from Contracts with Customers ('IFRS 15') given the varying levels of understanding of this standard by management within these six components. These issues reinforced our initial risk assessment and resulted in extended testing by the Group audit team.

How our audit addressed the Key Audit Matter

The significant risk related to the timing of revenue and cost of sales recognition on open contracts is restricted to six of the 16 Content components where judgment is required and complexity arises in identifying the performance obligations, whether the income should be recognised over time or at a point in time and assessing the stage of delivery of performance obligations on open contracts at year end.

For these six Content components (including two audited by the Group team) our audit procedures included the following:

- we assessed the systems and controls in operation in the year;
- we analysed the total open contracts as at the year-end by total contract value and against prior periods to identify unusual trends;
- on a sampling basis, we assessed contractual terms and assessed each of these terms (e.g acceptance criteria, delivery and payment terms) to ensure that the application of these terms were applied correctly within each project;
- on the sample selected, we recalculated revenue recognised based on the proportion of the service performed in respect of each performance obligation by obtaining schedules of estimated effort to complete from project managers and challenging the key supporting evidence to test its completeness and accuracy. The supporting evidence included signed statements of works, evidence of the delivery of content to customers, project trackers, internal guidelines, sales invoices, post-year end credit notes and subsequent bank receipts;
- we considered whether there was any evidence which contradicted management's assumptions regarding the percentage of completion of the sampled contracts; and
- we assessed the accounting for cost of sales in respect of the contracts subject to testing, including testing the consistency of accounting for contract progress with the revenue recognition estimates and extending our testing over the completeness of recognition of liabilities (by testing payments made after the year end to check the period to which they related) over and above that originally planned across six components.

The procedures performed in respect of four components where component auditors identified significant control deficiencies in the systems, processes and controls pertaining to the accuracy of the percentage of completion on open contracts, and which resulted in the issuance of modified opinions by those PwC component audit teams, related to the assessment of the stage of delivery of the performance obligations on open contracts where revenue is recognised over time.

During the course of our audit, management completed a reassessment of the revenue recognition on 26 open contracts in these four components resulting in a material adjustment to revenue and adjustments to cost of sales which collectively did not have a material impact on loss before tax.

Following management's reassessment, the Group audit team extended the scope of the procedures described above, compared to that originally planned, across all six relevant Content components (both those components where modified opinions were received from PwC component teams and the components audited by the Group audit team) to consider a wider range of contracts and management's revised assessment taking into account any additional supporting evidence provided by management.

Based upon the procedures performed, we concluded that, following management's reassessment and adjustment, management's judgment in respect of the application of IFRS 15 and the estimation of revenue recognition on open contracts was reasonable.

Key Audit Matter

Loan refinancing (Group)

Refer to Note 18.

The Group arranged a secured Term Loan B of €375 million (equivalent to £319.8 million) and a Revolving Credit Facility of £100.0 million (which remained fully undrawn in 2021) and prepaid its existing facilities including interest and break costs which amounted to £109.3 million. Transaction costs of £8.4 million were capitalised in accordance with IFRS 9.

Accounting for financial liabilities can be technically complex and increases the risk of error. We considered there to be a risk of material misstatement in relation to the accuracy and presentation and disclosure of the loan.

How our audit addressed the Key Audit Matter

We obtained the loan agreements and supporting evidence for the transaction costs capitalised.

In relation to accuracy, we verified the accounting for the loan and also the related transaction costs and whether the treatment applied by management is in line with requirements of IFRS 9. We also verified that the costs capitalised were in the nature of transaction costs as per IFRS 9.

We also verified the interest cost for the period in line with the terms of the agreement and checked that the transaction costs are appropriately amortised. We checked the disclosures made in the financial statements in relation to the drawdowns, repayments and transaction costs and noted that these are consistent with our testing.

Direct confirmation was obtained from Credit Suisse with respect to the term loan of €375.0 million and it was also confirmed that the Revolving Credit Facility was fully undrawn as at year end.

Existence of bank and cash (Group)

Refer to Note 17.

The Group has grown considerably from acquisition and now stands at 126 legal entities with circa 400 separate bank accounts.

The Group does not have a Group treasury function. Bank account controls for most acquisitions and new entities remain decentralised with local management where a complete list of authorised bank signatories has not been maintained.

Given the volume of bank accounts and lack of integration into a Group treasury function, we identified a risk that bank account ownership and control may not have been transferred to S⁴ at acquisition or remain within the Group.

We obtained management's schedule of bank accounts prepared for the audit and compared this against known bank accounts from previous years and due diligence reports for completeness. We then sought to confirm existence through confirmations, and where confirmations were not received, through alternative procedures.

Our component teams and the Group audit team received bank confirmations covering £298.3 million of the total cash balance which also tie to bank reconciliations and the general ledger.

For the remaining unconfirmed cash balances of £0.8 million relating to six accounts, we performed alternative procedures such as logging in to online banking portals to view year end balances with management, obtaining year-end bank statements from management, and agreeing accounts back to due diligence reports and PPA documents to verify ownership/transfer of control. As part of our completeness checks, where there was a bank account in the prior year, we checked that it was included in the current year balance or obtained evidence that the account had been closed during the year.

From our procedures performed, we did not identify any material misstatements in the bank and cash balances.

Carrying value of Investments (Company)

At 31 December 2021, the Company holds investments in subsidiaries amounting to £905 million (2020: £752 million). Investments in subsidiaries are accounted for at historical cost less accumulated impairment.

Judgment is required to assess if impairment triggers exist and where triggers are identified, if the carrying value is supported by the recoverable amount. In assessing impairment triggers, management considers if the underlying net assets of the investment support the carrying amount and whether other facts and circumstances would be indicative of a trigger.

Based on management's assessment, no impairment triggers in respect of the carrying value of investments in subsidiaries were identified at the balance sheet date.

Refer to Note 1 of the Company's financial statements.

In respect of investments in subsidiaries in the Company, we undertook the following to test management's assessment for indicators of impairment:

- verified the mathematical accuracy of management's assessment and that the net assets of the subsidiaries being assessed agreed to the respective subsidiary balance sheets at 31 December 2021; and
- independently performed an assessment of other internal and external impairment triggers, including considering the market capitalisation of the Group with reference to the carrying value of the investments in subsidiaries in the Company to identify other possible impairment indicators.

As a result of our work, we are satisfied that management's impairment assessment is appropriate and that there are no indicators of impairment in respect of the carrying value of the Company's investments in subsidiaries as at 31 December 2021.

Independent auditors' report to the members of S4Capital plc continued

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

As noted above, the Group's financial statements are a consolidation of 126 legal entities which are included in the Content, DDM or Technology Services segments, of which one entity is split into three reporting branches. PwC identified that each legal entity and the three reporting branches meet the criteria for a component, and based on this methodology, 28 components were identified as in scope. Two of these components were deemed financially significant as their revenue made up more than 10% of the Group revenue. We instructed component teams to perform audits of the complete financial information of a further six entities (bringing the total to eight full scope entities) and 20 were identified as in scope due to having individually large or unusual balances. This includes the entity holding the majority of the Group's external borrowings which was included in scope due to the individually large balance and its relevance to a significant risk. Our audit scope addressed 74% of Group revenue. Of the 28 components in scope, 18 trading components have been audited by component auditors. The remaining five trading components and five Holding companies (including the debt holding company and the Parent Company) have been audited by the UK Group audit team. Opinions were received from our PwC component teams as envisaged with the exception of four Content components, where modified opinions were received in respect of revenue and cost of sales on open contracts, representing approximately 5% of recognised Group revenue, as a result of control weaknesses in those components. As a result the Group team performed additional work over revenue and cost of sales in order to reach a conclusion – see the Key Audit Matter in respect of 'Revenue and cost of sales recognition over time on Content contracts (Group)' above. Our audit work across these components, together with the additional procedures performed at the Group level on the consolidation, share-based payments and acquisitions, gave us the evidence we needed for our opinion on the Group financial statements as a whole. The audit of the Company financial statements consisted of the full scope audit of one component which operates as the ultimate holding Company.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgment, we determined materiality for the financial statements as a whole as follows:

	Financial Statements – Group	Financial Statements – Company
Overall materiality	£6.8 million (2020: £3.4 million).	£9.0 million (2020: £7.0 million).
How we determined it	Approximately 1% of revenue.	Approximately 1% of total assets.
Rationale for benchmark applied	Given the emphasis on growth, particularly over revenues, we considered total revenues to be the primary measure of the performance of the Group for the year ended 31 December 2021.	For the period, we believe that total assets is the primary measure considered by shareowners with respect to the Company's results, and is a generally accepted auditing benchmark.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between £0.5 million and £4.3 million.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2020: 75%) of overall materiality, amounting to £5.1 million (2020: £2.6 million) for the Group financial statements and £6.8 million (2020: £5.3 million) for the Company financial statements.

In determining the performance materiality, we considered a number of factors – the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls – and concluded that an amount at the upper end of our normal range was appropriate. We re-assessed this following the issues encountered within the Content segment as referred to in the Key Audit Matter 'Revenue and cost of sales recognition over time on Content contracts (Group)' above and concluded the original performance materiality remained appropriate in light of the additional procedures performed by the Group team over the six components where the control deficiencies were identified.

We agreed with the Audit and Risk Committee that we would report to them misstatements identified during our audit above £0.3 million (Group audit) (2020: £0.2 million) and £0.5 million (Company audit) (2020: £0.3 million) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the Directors' assessment of the Group's and the Company's ability to continue to adopt the going concern basis of accounting included:

- obtaining and reviewing the bank facility agreements including covenant arrangements;
- assessing the appropriateness of the Board approved cash flow forecasts in the context of the Group's 2021 financial position and evaluating the Directors' downside sensitivities against these forecasts;
- evaluating the key assumptions in the forecasts and considering whether these appeared reasonable, for example by comparing forecast sales growth to industry forecasts and historical growth rates achieved;
- examining the minimum committed facility headroom under the base case cash flow forecasts and sensitised cases and evaluating whether the Directors' conclusion that liquidity headroom remained in all events was reasonable;
- obtaining and re-performing the Group's most recent covenant compliance calculations and subsequent bi-annual forecast covenant compliance calculations based on the forecasts provided by management; and
- evaluating the disclosures provided relating to the going concern basis of preparation, and confirming that these provided an explanation of the Directors' assessment that was consistent with the evidence we obtained.

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 Group's and the Company's ability to continue as a going concern for a period of at least 12 months from when the financial statements are authorised for issue.

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.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Group's and the Company's ability to continue as a going concern.

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

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, 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 audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. 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 based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described overleaf.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

Independent auditors' report to the members of S4Capital plc continued

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Directors' Remuneration

In our opinion, the part of the Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements

As explained more fully in the Statement of Directors' responsibilities in respect of the financial statements, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and 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 Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' 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 auditors' 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.

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.

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to employment legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as tax legislation and the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to manipulation of significant estimates including revenue recognition, acquisition adjustments and material allocations of value between amortising intangibles, goodwill and share-based payments. The Group engagement team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the Group engagement team and/or component auditors included:

- discussions with management, the Audit and Risk Committee and the Group's legal advisors, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- evaluation of management's controls designed to prevent and detect irregularities;
- challenging assumptions and judgments made by management in their significant accounting estimates, in particular in relation to revenue recognition (see related Key Audit Matter) and purchase price allocation (see related Key Audit Matter); and
- identifying and testing journal entries, in particular any journal entries posted with unusual account combinations and period end journals.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

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 auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- the Company financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Audit and Risk Committee, we were appointed by the members on 28 January 2019 to audit the financial statements for the year ended 31 December 2018 and subsequent financial periods. The period of total uninterrupted engagement is four years, covering the years ended 31 December 2018 to 31 December 2021.

Other matter

In due course, as required by the Financial Conduct Authority Disclosure Guidance and Transparency Rule 4.1.14R, these financial statements will form part of the ESEF-prepared annual financial report filed on the National Storage Mechanism of the Financial Conduct Authority in accordance with the ESEF Regulatory Technical Standard ('ESEF RTS'). This auditors' report provides no assurance over whether the annual financial report will be prepared using the single electronic format specified in the ESEF RTS.



Mark Jordan (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors

London

14 May 2022

Consolidated statement of profit or loss

For the year ended 31 December 2021

	Notes	2021 £000	2020 £000
Revenue	6	686,601	342,687
Cost of sales		126,338	47,505
Gross profit		560,263	295,182
Personnel costs	7	412,537	205,135
Other operating expenses	7	49,829	30,561
Acquisition and set-up related expenses	7	83,496	14,338
Depreciation and amortisation	7	56,456	37,015
Total operating expenses		602,318	287,049
Operating (loss)/profit		(42,055)	8,133
Adjusted operating profit		94,808	57,950
Adjusting items	26	(136,863)	(49,817)
Operating (loss)/profit		(42,055)	8,133
Finance income	8	1,032	698
Finance expenses	8	(13,283)	(5,735)
Net finance expenses		(12,251)	(5,037)
Loss on the net monetary position		(1,344)	–
Loss/profit before income tax		(55,650)	3,096
Income tax expense	9	(1,065)	(7,025)
Loss for the year		(56,715)	(3,929)
Attributable to owners of the Company		(56,715)	(3,929)
Attributable to non-controlling interests		–	–
		(56,715)	(3,929)
Loss per share is attributable to the ordinary equity holders of the Company			
Loss per share (pence)	10	(10.3)	(0.8)
Diluted loss per share (pence)	10	(10.3)	(0.8)

The accompanying notes on pages 113 to 160 form an integral part of the financial statements.

Consolidated statement of comprehensive income

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For the year ended 31 December 2021

	2021 £000	2020 £000
Loss for the year	(56,715)	(3,929)
Other comprehensive (loss)/income		
<i>Items that may be reclassified to profit or loss</i>		
Foreign operations – foreign currency translation differences	(6,358)	2,905
Total other comprehensive (loss)/income	(6,358)	2,905
Total comprehensive loss for the year	(63,073)	(1,024)
Attributable to owners of the Company	(63,073)	(1,024)
Attributable to non-controlling interests	–	–
	(63,073)	(1,024)

The accompanying notes on pages 113 to 160 form an integral part of the financial statements.

Consolidated balance sheet

At 31 December 2021

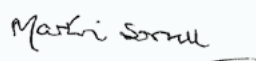
	Notes	2021 £000	2020 Restated ¹ £000
Assets			
Non-current assets			
Intangible assets	11	980,915	801,066
Right-of-use assets	19	36,608	26,830
Property, plant and equipment	12	21,548	14,537
Deferred tax assets	13	6,526	2,068
Other receivables	15	3,185	2,125
		1,048,782	846,626
Current assets			
Trade and other receivables	16	335,498	181,708
Cash and cash equivalents	17	301,021	142,052
		636,519	323,760
Total assets		1,685,301	1,170,386
Liabilities			
Non-current liabilities			
Deferred tax liabilities	13	68,478	59,794
Loans and borrowings	18	308,571	44,819
Lease liabilities	19	31,423	20,860
Contingent consideration		31,749	32,593
Other payables	20	2,845	1,941
		443,066	160,007
Current liabilities			
Trade and other payables	20	324,059	191,069
Contingent consideration and holdback		86,370	37,330
Loans and borrowings	18	2,523	45,623
Lease liabilities	19	10,545	8,100
Tax liabilities	20	17,500	12,480
		440,997	294,602
Total liabilities		884,063	454,609
Net assets		801,238	715,777
Equity			
Share capital	21	138,827	135,516
Reserves	21	662,311	580,161
Attributable to owners of the Company		801,138	715,677
Non-controlling interests	21	100	100
Total equity		801,238	715,777

Note:

1. Restated for the initial accounting for the business combinations of Decoded, Metric Theory, Orca Pacific and Brightblue as required by IFRS 3. Details are disclosed in Note 4.

The accompanying notes on pages 113 to 160 form an integral part of the financial statements.

The financial statements on pages 108 to 166 were approved by the Board of Directors on 14 May 2022 and signed on its behalf by:



Sir Martin Sorrell
Executive Chairman



Mary Basterfield
Group Chief Financial Officer

Company's registered number: 10476913

Consolidated statement of cash flows

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For the year ended 31 December 2021

	Notes	2021 £000	2020 £000
Cash flows from operations	23	68,496	72,428
Income taxes paid		(13,874)	(10,758)
Net cash flows from operating activities		54,622	61,670
Cash flows from investing activities			
Investments in intangible assets	11	(3,458)	(34)
Investments in property, plant and equipment	12	(11,119)	(7,396)
Acquisition of subsidiaries, net of cash acquired		(86,604)	(124,155)
Tax paid as result of acquisition		(5,116)	–
Financial fixed assets		(323)	871
Cash flows from investing activities		(106,620)	(130,714)
Cash flows from financing activities			
Proceeds from issuance of shares		1,143	113,386
Additional borrowings during the year	18	342,994	45,622
Payment of lease liabilities	19	(10,903)	(12,175)
Repayments of loans and borrowings	18	(110,895)	–
Transaction costs paid on borrowings		(8,379)	(244)
Interest paid		(5,530)	(742)
Cash flows from financing activities		208,430	145,847
Net movement in cash and cash equivalents		156,432	76,803
Cash and cash equivalents beginning of the year		142,052	66,106
Exchange gain/(loss) on cash and cash equivalents	23	638	(857)
Cash and cash equivalents at 31 December		299,122¹	142,052

Note:

1. Including bank overdrafts of £1.9 million. Details are disclosed in Note 17.

The accompanying notes on pages 113 to 160 form an integral part of the financial statements.

Consolidated statement of changes in equity

Equity	Notes	Number of shares	Share capital £000	Share premium £000	Merger reserves £000	Other reserves ¹ £000	Foreign exchange reserves £000	Accumulated losses £000	Total £000	Non-controlling interests £000	Total equity £000
Balance at 1 January 2020		469,227,259	117,307	174,302	205,717	(1,160)	(18,750)	(11,215)	466,201	100	466,301
Comprehensive loss for the year											
Loss for the year		-	-	-	-	-	-	(3,929)	(3,929)	-	(3,929)
Foreign currency translation differences		-	-	-	-	-	2,905	-	2,905	-	2,905
Total comprehensive loss for the year		-	-	-	-	-	2,905	(3,929)	(1,024)	-	(1,024)
Transactions with owners of the Company											
Issue of Ordinary Shares	21	36,766,642	9,192	103,995	-	-	-	-	113,187	-	113,187
Business combinations	21	34,744,022	8,686	84,564	-	28,655	-	-	121,905	-	121,905
Employee share schemes	21	1,327,535	331	1,334	-	(454)	-	11,963	13,174	-	13,174
Balance as previously reported		542,065,458	135,516	364,195	205,717	27,041	(15,845)	(3,181)	713,443	100	713,543
Restatement²	4	-	-	-	-	2,234	-	-	2,234	-	2,234
Balance as at 31 December 2020		542,065,458	135,516	364,195	205,717	29,275	(15,845)	(3,181)	715,677	100	715,777
Comprehensive loss for the year											
Loss for the year		-	-	-	-	-	-	(56,715)	(56,715)	-	(56,715)
Foreign currency translation differences		-	-	-	-	-	(6,358)	-	(6,358)	-	(6,358)
Hyperinflation revaluation		-	-	-	-	1,633	-	-	1,633	-	1,633
Total comprehensive loss for the year		-	-	-	-	1,633	(6,358)	(56,715)	(61,440)	-	(61,440)
Transactions with owners of the Company											
Issue of Ordinary Shares		-	-	-	-	-	-	-	-	-	-
Business combinations	21	13,242,114	3,311	82,715	-	45,856	-	-	131,882	-	131,882
Employee share schemes	22	-	-	-	-	(110)	-	15,129	15,019	-	15,019
Balance as at 31 December 2021		555,307,572	138,827	446,910	205,717	76,654	(22,203)	(44,767)	801,138	100	801,238

Notes:

- Other reserves include the deferred equity consideration of £77.0 million, made up of the following: Decoded for £47.9 million, Raccoon for £16.8 million, Cashmere for £6.9 million and Zemoga £5.4 million (2020: £28.9 million), the treasury shares issued in the name of S⁴Capital Group to an employee benefit trust for the amount of £2.5 million (2020: £3.8 million), and hyperinflation impact in Argentina of £1.6m (2020: nil).
- Restated deferred equity consideration for the business combination of Decoded as required by IFRS 3. Details are disclosed in Note 4.

The accompanying notes on pages 113 to 160 form an integral part of the financial statements.

1. General information

S⁴Capital plc ('S⁴Capital' or 'Company'), is a public Company, limited by shares, incorporated on 14 November 2016 in the United Kingdom. The Company has its registered office at 12 St James's Place, London SW1A 1NX, United Kingdom.

The consolidated financial statements represent the results of the Company and its subsidiaries (together referred to as 'S⁴Capital Group' or the 'Group'). An overview of the subsidiaries is included in Note 14.

S⁴Capital Group is a new age/new era digital advertising and marketing services company.

2. Basis of preparation

A. Statement of compliance

On 31 December 2020, IFRS as adopted by the European Union at that date was brought into UK law and became UK-adopted International Accounting Standards, with future changes being subject to endorsement by the UK Endorsement Board. S⁴Capital transitioned to UK-adopted International Accounting Standards in its Company financial statements on 1 January 2021. This change constitutes a change in accounting framework. However, there is no impact on recognition, measurement or disclosure in the period reported as a result of the change in framework.

The financial statements of S⁴Capital plc have been prepared in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards.

The consolidated financial statements were authorised for issue by the Board of Directors on 14 May 2022.

B. Functional and presentation currency

The consolidated financial statements are presented in Pound Sterling (£ or GBP), the Company's functional currency. All financial information in Pound Sterling has been rounded to the nearest thousand unless otherwise indicated.

C. Basis of measurement

The consolidated financial statements are prepared on a going concern basis. The consolidated financial statements are prepared on the historical cost basis, except for the fair value measurement of contingent considerations. The accounting principle have been consistently applied over the reporting periods.

Going concern

The directors have considered the ability of the Group and Company to continue as a going concern.

To date, the tragedy of covid-19 has only accelerated the speed of digital transformation and disruption at consumer, media and enterprise levels. These results confirm that S⁴Capital is currently in a growth sweet spot and that its strategy built around its digital only, faster, better, cheaper, unitary, 'holy trinity' model, which combines first party data with digital content, data and digital media, is migrating from brand awareness and trial to conversion at scale.

As mentioned in its preliminary results announcement, the Group is forecasting significant growth for 2022 and 2023. The directors have considered the Group's cash flow forecasts for the period up to 31 December 2023 under base and severe but plausible downside scenarios, with consideration given to the uncertainties like inflation and the covid-19 pandemic and the impact of those uncertainties on growth rates, the wider macro-economic environment, and the Group. The key assumptions in the base case are growth rates in line with the Group's board approved 2022-24 three-year plan, which calls for a like-for-like doubling of top line and EBITDA levels returning to prior levels. Plausible but severe downside scenarios take into consideration the two years of experience of the actual impact of covid-19 on the Group during 2021 and 2020. Management believes these forecasts have been prepared on a prudent basis and have consideration of possible effects on the growth rates, trading performance and a number of available mitigating cost actions.

The Group has considerable financial resources available. As at 31 December 2021, the Group has £401 million in financial resources (cash and cash equivalent balances of £301 million, and a five year £100 million equivalent undrawn multicurrency senior secured revolving credit facility). The facilities are intended to cover the financing of the cash portion of any acquisition consideration and associated acquisition costs and have to provide the Group with sufficient working capital.

The Board is satisfied that the Group and Company will be able to operate within the level of its current debt and RCF facilities and has sufficient liquidity to meet its financial obligations as they fall due for a period of at least 12 months

Notes to the consolidated financial statements continued

from the date of signing these financial statements. For this reason, the Group and Company continue to adopt the going concern basis in preparing its financial statements.

D. Critical accounting estimates and judgments

In preparing these consolidated financial statements, S⁴Capital Group makes certain estimates and judgments. Estimates and judgments are continually evaluated based on historical experience and other factors, including the expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and judgments.

The judgments and estimates that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Judgments

Use of alternative performance measures

In establishing which items are disclosed separately as adjusting items to enable a better understanding of the underlying financial performance of the Group, management exercise judgment in assessing the size and nature of specific items. The Group uses alternative performance measures as we believe these measures provide additional useful information on the underlying trend, performance, and position of the Group. These underlying measures are used by the Group for internal performance analyses, and credit facility covenants calculations. The alternative performance measures include 'adjusted operating profit', 'adjusting items', 'adjusted operational EBITDA' and 'EBITDA' (earnings before interest, tax, depreciation). The terms 'adjusted operating profit', 'adjusting items', 'adjusted operational EBITDA' and EBITDA are not defined terms under IFRS and may therefore not be comparable with similarly titled profit measures reported by other companies. The measures are not intended to be a substitute for, or superior to, GAAP measures. A full list of alternative performance measures and non-IFRS measures together with reconciliations to IFRS or GAAP measures are set out in Note 26.

Judgmental tax positions

The Group is subject to sales tax in a number of jurisdictions. Judgment is required in determining the provision for sales taxes due to uncertainty of the amount of tax that may be payable. Provisions in relation to uncertain tax positions are established on an individual rather than portfolio basis, considering whether, in each circumstance, the Group considers it is probable that the uncertainty will crystallise.

Impairment – assessment of CGUs and assessment of indicators of impairment

Where possible, impairment is assessed at the level of individual assets. When, however, this is not possible, then the Cash Generating Unit ('CGU') level is used. A CGU is the smallest identifiable asset or group of assets that generates independent cash flows. Judgment is applied to identify the Group's CGUs; however, they are principally comprised of the Group's operating segments. This is on the basis that each of these segments are integrated operating businesses and represent the lowest level at which independent cash flows are generated. External and internal factors as described in IAS 36 are monitored for indicators of impairment. Where management have concluded that such an indication of impairment exists then the recoverable amount of the asset is assessed. Management's approach for determining the recoverable amount of a CGU is based on the higher of value in use or fair value less cost to dispose. In this case, value in use is the higher of the two. Value in use calculations are compared with the carrying value of the CGU assets. Generally, discounted cash flow models, based on budgets and a growth rate, are used to determine the recoverable amount of CGUs. The appropriate estimates and assumptions used include significant estimation uncertainty.

Goodwill is always allocated to a CGU and never considered in isolation. The results of impairment reviews conducted at the end of the year are disclosed in Note 11 for those relating to goodwill. The variables used in the assessment of the recoverable amount include:

- budgets and estimated growth rate;
- discount rate used to calculate present value of future cash flows.

Revenue recognition

Judgment is required in assessing as to recognise revenue over time or at a point in time, specifically for fixed fee contracts. Further details are set out in the accounting policy Note C. Revenue recognition.

Estimates and assumptions

Measurement of consideration and assets and liabilities acquired as part of business combinations

Estimates are required to value the assets and liabilities acquired in business combinations. Intangible assets such as brands are commonly a core part of an acquired business as they allow us to obtain more value than would otherwise be possible.

In the financial year 2021, the following businesses were acquired:

- TOMORROW
- STAUD STUDIOS
- Datalicious
- Jam3
- Raccoon
- Destined
- Cashmere
- Zemoga
- Miyagi
- Maverick

We involved external professionals to advise on the valuation techniques and key assumptions in the valuation of the material acquisitions. The judgments made are based on frequently used valuation techniques such as the 'relief from royalty method' for brands, the 'excess earnings method' for customer relationships and order backlog. This input, combined with our internal knowledge and expertise on the relevant market growth opportunities, enabled us to determine the appropriate brands, customer relationships and order backlog valuations. Additionally, contingent consideration depends on an acquired business achieving targets within a fixed period. Estimates of future performance are required to calculate the obligations at the time of acquisition and at each subsequent reporting date. Contingent consideration, which may include revenue threshold milestones is fair valued at the date of acquisition using decision-tree analysis with key inputs including revenue projections based on the Group's internal forecasts. Unsettled amounts of consideration are held at fair value within payables with changes in fair value recognised immediately in the profit and loss statement. See Note 4 for further information.

E. Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs) as applicable for contingent consideration.

Further information about the assumptions made in measuring fair values is included in the applicable Notes.

F. Presentation of the income statement

For the presentation of the operating expenses in the income statement, the Group uses the nature of expense method, because this method provides information about expenses arising from the main inputs that are consumed in order to accomplish the Group's business activities—such as employees (labour and other employee benefits), and equipment (depreciation) and intangibles (amortisation). For the presentation of the gross profit in the income statement, the Group uses the function method, because this in line with the Group's internal performance measurement.

Notes to the consolidated financial statements continued

G. New and amended standards and interpretations adopted by the Group

In financial year 2021, the following amendments to standards and interpretations became effective:

Interest Rate Benchmark Reform - phase 2

The amendments Interest Rate Benchmark Reform – phase 2 (amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) issued by the IASB were effective from 1 January 2021. The amendments provide relief on certain existing requirements in IFRS Standards, relating to modifications of financial instruments and lease contracts or hedging relationships triggered by a replacement of a benchmark interest rate in a contract with a new alternative benchmark rate, as a result of Interest Rate Benchmark Reform. There has been no material impact to the Group's financial statements as a result of the application of these amendments.

Covid-19 Related Rent Concessions beyond 30 June 2021

The amendment to IFRS 16, Covid-19-Related Rent Concessions beyond 30 June 2021 issued by the IASB was effective from 1 April 2021. It provides an extension to the period under which practical relief to lessees could be applied in accounting for rent concessions occurring as a direct consequence of covid-19, as introduced in the original amendment, Covid-19-Related Concessions (amendment to IFRS 16). There has been no material impact to the Group's financial statements as a result of the application of this amendment.

IFRIC Agenda Decision on Accounting Treatment for Configuration and Customisation Costs in a Cloud Computing Arrangement

In April 2021, an IFRIC agenda decision was issued in relation to the accounting treatment for configuration and customisation costs in a cloud computing arrangement. This guidance clarified that in order for an intangible asset to be capitalised in relation to customisation and configuration costs in a software-as-a-service (SaaS) arrangement, it is necessary for there to be control of the underlying software asset or for there to be a separate intangible asset which meets the definition in IAS 38 Intangible Assets. There has been no material impact to the Group's financial statements as a result of the application of this interpretation.

H. New and amended standards and interpretations not yet adopted

Certain new and amended accounting standards and interpretations have been published that are not mandatory for 31 December 2021 reporting periods and have not been early adopted by the Group. None of these are expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

3. Significant accounting policies

A. Basis of consolidation

Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the S⁴Capital Group. To be considered a business, an acquisition has to include an input and a substantive process that together significantly contribute to the ability to create outputs. The consideration transferred in the acquisition is measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in the profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts, to the extent that they exceed the settlement amounts, are recognised in the profit or loss.

Any deferred consideration payable is measured at fair value at the acquisition date. If an obligation to pay deferred consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured, and settlement is accounted for within equity. Otherwise, other deferred consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the deferred consideration are recognised in profit or loss.

Any contingent consideration payable is measured at fair value at the acquisition date. Some contingent consideration arrangements might be tied to continued employment of the acquiree's employees. These arrangements are generally recognised as employee compensation expense in the post-combination period.

Subsidiaries

Subsidiaries are entities controlled by the Company. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

The Company recognises non-controlling interests in an acquired entity at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets. Non-controlling interests within equity and within profit or loss for the year are presented separately.

Transactions eliminated on consolidation

Intra-Group balances and transactions, and any unrealised income and expenses arising from intra-Group transactions, are eliminated. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

B. Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the Board of Directors. During the reporting period the Group was active in Content, Data&Digital Media and Technology Services. More detailed information is included in Note 6.

C. Revenue recognition

S⁴Capital Group produces digital campaigns, films, creative content, platforms and ecommerce for home-grown and international brands and provides data & digital media solutions for future thinking marketers and agencies. During the reporting period S⁴Capital Group combined with Zemoga, building a third practice area around technology services. S⁴Capital Group operates in the following operating segments:

- The Content practice consists of both short-term, one to six months, projects with fixed pricing and also projects with longer-lasting characteristics with prices that are mostly based on actual time spent.
- The Data&Digital Media practice consists of full-service campaign management analytics, creative production and ad serving, platform and systems integration and transition and training and education. Revenue from this segment is generated primarily from marketing platform services, various consulting arrangements and pass-through media. For contracts from customers where the Company is acting as an agent, pass-through expenses are deducted from revenue and cost of sales.
- The Technology Services practice consists of digital transformation services in delivering advanced digital product design, engineering services and delivery services. The services consist of breadth of in-demand and specialised capabilities to deliver on customers' digital product needs with prices that are mostly based on actual time spent.

Determining the transaction price

Billings comprise all gross amounts billed, or billable to clients and is stated exclusive of VAT and sales taxes. Billings is a non-GAAP measure and is included as it influences the quantum of trade and other receivables due to be recognised at a point in time. The balancing figure between billings and revenue is represented by costs incurred on behalf of clients with whom we operate as an agent. Revenue is stated exclusive of VAT and sales taxes. Net revenue is exclusive of third-party costs recharged to our clients where we are acting as principal.

Measurement of revenue

S⁴Capital Group determines all the separate performance obligations within the customers' contract at contract inception. In general, S⁴Capital Group satisfies a performance obligation and recognises revenue over time. This is assessed on a contract by contract basis. In many cases, revenue is recognised over time because the customer consumes the service as it is performed or in the case where content is created, the customer takes control of that content throughout as it is produced. In some cases, there is no clear consumption by the customer or limited activities that transfer to the customer. In these cases, revenue is recognised over time if the asset has no alternative use to the Group and the Group is entitled to payment for performance-to-date. The asset for each project is produced to a customer's specification and the asset can only be used by the customer. Entitlement is in some cases obtained through milestone payments that are paid with adequate frequency to represent performance-to-date. In limited cases, where no such evidence exists to recognise revenue over time, revenue might be recognised at a point in time generally when the services or created content is delivered to the customer.

Notes to the consolidated financial statements continued

For each performance obligation that is satisfied over time, revenue is recognised by measuring progress towards completion of that performance obligation. Judgment is applied in contracts with customers that significantly affect the determination of the amount and timing of revenue from contracts with customers. Revenue recognised over time is based on the proportion of the level of services performed. For short-term contracts within the Content Practice, costs incurred are used as an objective measure of performance. The primary input of substantially all work performed under these contracts is labour. If such information is not available, management estimates the proportion of service performed based on internal guidelines reflecting the level of effort required for each stage.

Where the total project costs exceed the project revenue, the loss is recognised in cost of sales in the statement of profit or loss. A provision is recognised for such loss.

For projects which are sold on a time and material basis and meet the criteria of recognising revenue over time, the revenue is recognised as the service is performed at the rate contracted on a time and material basis.

Transaction revenue is recognised at a point in time once the transaction has occurred and is billed at the rate as per the contract.

Accrued income and deferred income arising on contracts are included in trade and other receivables as accrued income (contract assets) and in trade and other payables as deferred income (contract liabilities), as appropriate. No element of financing is deemed present as the sales are made with a general credit term of 30 days; some large multinational customers have credit terms of 45 days to 120 days.

Revenue is recognised when the revenue recognition criteria as disclosed above for each contract have been met.

Practical exemptions

S⁴Capital Group has applied the practical exemptions in IFRS 15:

- not to account for significant financing components where the time difference between receiving consideration and transferring control of services or created content to its customer is one year or less; and
- to expense the incremental costs of obtaining a contract when the amortisation period of the asset otherwise recognised would have been one year or less.

Cost of sales

Cost of sales represents the direct and indirect expenses that are attributable to the services or created content sold, recognised in the income statement as the expenses are incurred.

D. Foreign currency

The main currencies for S⁴Capital Group are the US dollar (USD), Euro (EUR) and Pound Sterling (£).

Foreign currency transactions and balances

- Foreign currency transactions are translated into the functional currency using the average exchange rates in the month. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the reporting period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss.
- Share capital, share premium and brought forward earnings are translated using the exchange rates prevailing at the dates of the transactions.

Consolidation of foreign entities

On consolidation, results of the foreign entities are translated from the local currencies to Pound Sterling, the presentation currency of the S⁴Capital Group, using average exchange rates during the period. All assets and liabilities are translated from the local functional currency to Pound Sterling using the reporting year end exchange rates. The exchange differences arising from the translation of the net investment in foreign entities are recognised in other comprehensive income and accumulated in a separate component of equity. Exchange differences are recycled to profit or loss as a reclassification adjustment upon disposal of the foreign operation.

E. Employee benefits

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if S⁴Capital Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Share-based payments

S⁴Capital Group issues equity-settled share-based payments (including share options) to certain employees and accounts for these awards in accordance with IFRS 2. The share-based payments are measured at fair value at the grant date.

The fair value determined at the grant date is recognised in the income statement as an expense on a straight-line basis over the relevant vesting period, based on the Group's estimate of the number of shares that will ultimately vest and adjusted for the effect of non-market vesting conditions. A detailed description of the share-based payment plans is included in Note 22.

Defined contribution plans

S⁴Capital Group accounts for retirement benefit costs in accordance with IAS 19 Employee Benefits. For defined contribution plans, contributions are charged to the statement of profit or loss as payable in respect of the accounting period.

F. Hyperinflation in Argentina

Argentina was designated as a hyperinflationary economy and the financial statements of the Group's subsidiaries in Argentina have been adjusted for the effects of inflation.

IAS 29 Financial Reporting in Hyperinflationary Economies requires that the income statement is adjusted for inflation in the period and translated at the year-end foreign exchange rate and that non-monetary assets and liabilities on the balance sheet are restated to reflect the change in purchasing power caused by inflation from the date of initial recognition.

In 2021, this resulted in an increase in property, plant and equipment of £0.4 million, an increase in equity of £1.6 million and an income tax credit of £0.5 million on the balance sheet. The impact on other non-monetary assets and liabilities in the year was immaterial. In 2021, this resulted in a loss on the net monetary position of £1.3 million and an income tax credit of £0.5 million in the income statement. The FACPCE price index (Federación Argentina de Consejos Profesionales de Ciencias Económicas) of 582.5 was used at 31 December 2021 (2020: 385.8). The movement in this index during 2021 was 50.9%. Comparative amounts were not restated for hyperinflation as the business in Argentina was not material for the Group prior to 2021.

G. Income tax

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the financial year and any adjustment to tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, except for temporary differences arising on:

- the initial recognition of goodwill;
- the initial recognition of assets or liabilities in a transaction which is not a business combination and that affects neither accounting nor taxable profit or loss;
- investments in subsidiaries where the Group is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

Notes to the consolidated financial statements continued

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. It is measured using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves. Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

H. Intangible assets

Recognition and measurement

Where an acquisition is made close to the year end, the standards permit provisional amounts to be used and subsequently remeasured up to 12 months from acquisition, as such intangibles is considered provisional as highlighted in Note 4.

Goodwill

S⁴Capital Group uses the acquisition method of accounting for the acquisition of subsidiaries. The consideration transferred is measured at the fair value of the assets given, equity instruments issued, and liabilities incurred or assumed at the date of exchange. Costs directly attributable to the acquisition are expensed in the year. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Goodwill represents the excess of the cost of the acquisition over the Group's interest in the fair value of net identifiable assets and liabilities acquired. Goodwill is measured at cost less accumulated impairment losses. Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is credited in full to the profit or loss on the acquisition date.

Other intangible assets – arising on the acquisition of business combinations

Brands, customer relationships and order backlog arising on the acquisition of business combinations, are measured at cost less accumulated amortisation and accumulated impairment losses. The acquired brands are well-known brands which are registered, have a good track record and have finite useful lives. Customer relationships are measured at the time of the business combination and have finite useful lives. Order backlog has finite useful lives and represents the contracted but not yet fulfilled revenues at the time of the business combination.

Other intangible assets – development expenditure and purchased software

Expenditure on research activities is recognised in profit or loss as incurred. Development expenditure is capitalised only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the asset. Otherwise, it is recognised in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost less accumulated amortisation and accumulated impairment losses.

Purchased software packages have finite useful lives and are measured at cost less accumulated amortisation and accumulated impairment losses.

Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

Amortisation

Amortisation is charged to profit or loss to allocate the cost of intangible assets over their estimated useful economic lives, using the straight-line method. Goodwill is not amortised.

The estimated useful economic lives of intangible assets for current and comparative periods are as follows:

● Brands	3 – 20 years
● Customer relationships	10 – 16.5 years
● Order backlog	3 – 12 months
● Others	3 – 5 years

Amortisation methods and useful lives are reviewed at each reporting date and adjusted if appropriate.

I. Leases

From 1 January 2019, each lease is recognised as a right-of-use asset with a corresponding liability at the date at which the lease asset is available for use by the Group. Interest expense is charged to the profit or loss over the lease period. The right of use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. Depreciation is recognised in operating expenses costs and interest expense is recognised under finance expenses in the profit or loss.

Assets and liabilities arising from a lease are initially measured on a present value basis. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date less any lease incentives received, any initial direct costs, and restoration costs. The lease term includes periods covered by an option to extend if the Group is reasonably certain to exercise that option. Right-of-use assets are reviewed for indicators of impairment.

The Group has elected to use the exemption not to recognise right-of-use assets and lease liabilities for short term leases that have a lease term of 12 months or less and leases of low value assets. The payments associated with these leases are recognised as operating expenses over the lease term.

J. Property, plant and equipment

Recognition and measurement

Property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

Depreciation

Depreciation is charged to profit or loss to allocate the cost of items of property, plant and equipment less their estimated residual values over their estimated useful lives, using the straight-line method. The estimated useful lives for current and comparative periods range as follows:

- Right-of-use assets See I. Leases
- Leasehold improvements Over life of lease (5 – 10 years)
- Furniture and fixtures 5 years
- Hard- and software 3 – 5 years
- Other assets 3 – 5 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

K. Impairment of non-financial assets

Impairment of goodwill

Goodwill is allocated to the appropriate cash generating units (CGUs). Goodwill is not amortised but is tested annually for impairment or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amount is determined based on value in use calculations. The use of this method requires the estimation of future cash flows and the determination of a discount rate in order to calculate the present value of the cash flows.

Any impairment in carrying value is charged to the consolidated statement of profit or loss. An impairment loss recognised for goodwill cannot be reversed.

Impairment of other non-financial assets

Other non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Any impairment in carrying value is being charged to the consolidated statement of profit or loss. Other non-financial assets that have been impaired are reviewed for possible reversal of the impairment loss at the end of each reporting period. The reversal is limited to the carrying amount net of depreciation, had no impairment loss been recognised in the prior reporting periods.

Notes to the consolidated financial statements continued

L. Financial instruments

Financial instruments include non-current other receivables, trade and other receivables, cash and cash equivalents, loans and borrowings, other non-current liabilities, trade payables and other payables.

Financial assets and financial liabilities – recognition and derecognition

S⁴Capital Group initially recognises financial assets and financial liabilities issued on the date when they are originated.

S⁴Capital Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognised financial assets that is created or retained by S⁴Capital Group is recognised as a separate asset or liability.

S⁴Capital Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial assets and financial liabilities are offset, and the net amount presented in the statement of financial position if, and only if, S⁴Capital Group has a legal right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Financial assets – measurement

Financial assets at amortised cost

These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method, less loss allowances.

Trade receivables

Trade receivables are measured at their transaction price less loss allowance. See Notes 5 and 16 for further information about the Group's accounting for trade receivables and for a description of the Group's impairment policies.

Financial liabilities – measurement

Financial liabilities are initially recognised at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method.

Trade payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 to 120 days of recognition. Trade payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

M. Impairment of financial assets

Loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgment in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Financial assets are measured through a loss allowance at an amount equal to:

- the 12-month expected credit losses (expected credit losses that result from those default events on the financial instrument that are possible within 12 months after the reporting date); or
- full lifetime expected credit losses (expected credit losses that result from all possible default events over the life of the financial instrument).

A loss allowance for full lifetime expected credit losses is used for a financial instrument if the credit risk of that financial instrument has increased significantly since initial recognition, as well as to trade receivables.

For all other financial instruments, expected credit losses are measured at an amount equal to the 12-month expected credit losses.

The loss allowance for financial instruments is measured at an amount equal to lifetime expected losses if the credit risk of a financial instrument has increased significantly since initial recognition, unless the credit risk of the financial instrument is low at the reporting date in which case it can be assumed that credit risk on the financial instrument has not increased significantly since initial recognition. The credit risk is considered low if there is a low risk of default, the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. It is presumed the credit risk has increased significantly when contractual payments are more than 30 days past due. If a significant increase in credit risk that had taken place since initial recognition and has reversed by a subsequent reporting period (cumulatively credit risk is not significantly higher than at initial recognition) then the expected credit losses on the financial instrument revert to being measured based on an amount equal to the 12-month expected credit losses.

The Group applies the simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

N. Equity

Financial instruments issued by the Group are treated as equity only to the extent that they do not meet the definition of a financial liability. The Group's Ordinary Share capital is classified as equity instruments. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

O. Cash flow statement

The cash flow statement is prepared using the indirect method. The cash and cash equivalents in the cash flow statement comprise cash and cash equivalents except for deposits with a maturity of longer than three months and minus current bank loans drawn under overdraft facilities. Cash flows denominated in foreign currencies are converted based on average exchange rates. Exchange rate differences affecting cash items are shown separately in the cash flow statement.

Income taxes paid and received are included in cash flows from operating activities. Dividends received are included in cash flows from investing activities and interest paid and dividends paid are included in cash flows from financing activities. Purchase consideration paid for acquired subsidiaries is included in cash flows from investing activities, insofar as the acquisition is settled in cash. Principal elements of lease payments are included in cash flows from financing activities. Cash and cash equivalents of the acquired subsidiaries is deducted from the purchase consideration. Transactions not resulting in inflow or outflow of cash are not included in the cash flow statement.

Notes to the consolidated financial statements continued

4. Acquisitions

A. Business Combinations

Details of the fair value of identifiable assets and liabilities acquired, purchase consideration and goodwill of the subsidiaries acquired in the financial year 2021 are as follows:

	Jam3 £000	Raccoon £000	Cashmere £000	Zemoga £000	Others £000	Total £000
Intangible assets – Customer relationships	20,713	14,907	17,703	26,053	7,176	86,552
Intangible assets – Brand names	573	553	535	638	505	2,804
Intangible assets – Order backlog	1,243	–	466	1,252	586	3,547
Intangible assets – Software	661	168	–	–	–	829
Property, plant and equipment, ROU assets	832	1,175	2,670	954	3,218	8,849
Cash and cash equivalents	3,233	546	8,611	1,393	2,056	15,839
Trade and other receivables	4,513	3,719	2,885	4,874	4,927	20,918
Other non-current assets	38	9	145	369	142	703
Trade and other payables	(3,871)	(695)	(8,629)	(4,003)	(4,699)	(21,897)
Current taxation	(6,550)	(865)	(322)	(37)	(665)	(8,439)
Lease liabilities	(461)	(684)	(2,697)	(125)	(2,387)	(6,354)
Other non-current liabilities	–	(25)	–	(792)	(1,471)	(2,288)
Deferred taxation	(1,178)	–	(5,237)	(7,790)	(2,132)	(16,337)
Net assets	19,746	18,808	16,130	22,786	7,256	84,726
Goodwill	18,564	14,955	29,308	41,069	31,079	134,975
Total purchase consideration	38,310	33,763	45,438	63,855	38,335	219,701
Payment in kind (common stock)	16,176	–	16,647	12,509	10,904	56,236
Cash	10,785	16,862	19,843	16,216	13,498	77,204
Deferred consideration	–	16,834	6,156	5,454	–	28,444
Contingent consideration	11,349	67	2,792	29,676	13,933	57,817
Total purchase consideration	38,310	33,763	45,438	63,855	38,335	219,701
Cash purchase consideration	10,785	16,862	19,843	16,216	13,498	77,204
Cash and cash equivalents	3,233	546	8,611	1,393	2,056	15,839
Cash outflow on acquisition (net of cash acquired)	7,552	16,316	11,232	14,823	11,442	61,365

With all business combinations 100% of the voting equity interest has been acquired.

The assets and liabilities in the table above remain provisional as the purchase price allocation have not been fully finalised at the end of the reporting period.

In 2021, S⁴Capital Group combined with the following businesses:

Content practice

Jam3

On 25 March 2021, S⁴Capital plc announced (completed and control passed on 4 May 2021) the combination of MediaMonks with Jam3, a Toronto-based design and experience agency, for a total consideration of £38.3 million. Since the acquisition date, Jam3 contributed £19.9 million to the Group's revenue and £2.7 million of profit for the year ended 31 December 2021.

Cashmere

On 3 September 2021, S⁴Capital plc announced (completed and control passed on 3 September 2021) the combination of Media.Monks with Cashmere, an iconic and creative marketing agency based in Los Angeles, for a total consideration of £45.4 million. Since the acquisition date, Cashmere contributed £13.5 million to the Group's revenue and £0.9 million profit for the year ended 31 December 2021. Once the opening balance sheet is finalised the purchase price allocation can be concluded and therefore the calculated goodwill is provisional. During the measurement period in 2022, S⁴Capital plc will obtain the information necessary to identify and measure the assets and liabilities and retrospectively adjust the provisional amounts recognised at the acquisition date.

Other Content practice

Other combinations in 2021 of the Group's Content practice were:

- On 11 January 2021, S⁴Capital plc announced the combination with TOMORROW, an award-winning Shanghai-based creative agency.
- On 20 January 2021, S⁴Capital plc announced the combination with STAUD STUDIOS, a German high-end creative production studio specialising in the automotive industry.
- On 15 November 2021, S⁴Capital plc announced the combination with Miyagi, a leading creative content marketing agency, integrating strategy, creativity and production, further expanding its Content practice into Italy.

The total consideration for the above three transactions is expected to be approximately £20.2 million. These acquisitions contributed £11 million revenue and £1.9 million profit. At the end of the reporting period the purchase price allocations for TOMORROW, STAUD STUDIOS and Miyagi have not been fully finalised and therefore the assets and liabilities remain provisional. Once the opening balance sheet is finalised the purchase price allocation can be concluded and therefore the calculated goodwill is provisional. During the measurement period in 2022, S⁴Capital Group will obtain the information necessary to identify and measure the assets and liabilities and retrospectively adjust the provisional amounts recognised at the acquisition date.

Data&Digital Media practice

Raccoon

On 26 May 2021, S⁴Capital plc announced (completed and control passed on 26 May 2021) the combination of its Data&Digital Media practice with Raccoon Group, a leading digital performance agency in Brazil, for total consideration of £33.8 million. Since the acquisition date, Raccoon Group contributed £11.8 million to the Group's revenue and £4.3 million of profit for the year ended 31 December 2021. Once the opening balance sheet is finalised the purchase price allocation can be concluded and therefore the calculated goodwill is provisional. During the measurement period in 2022, S⁴Capital Group will obtain the information necessary to identify and measure the assets and liabilities and retrospectively adjust the provisional amounts recognised at the acquisition date.

Other Data&Digital Media practice

Other combinations in 2021 of the Group's Data&Digital Media practice are:

- On 1 February 2021, S⁴Capital plc announced that MightyHive has acquired the assets of Datalicious, a leading Google Marketing Platform, Google Cloud and Google Analytics partner in Asia Pacific.
- On 29 July 2021, S⁴Capital plc announced the combination with Salesforce specialist Destined expanding its data and digital media practice in Asia Pacific.
- On 1 December 2021, S⁴Capital plc announced the combination with Maverick Digital, a leader in digital transformation strategy, Salesforce platform implementation, integration strategy & execution and managed services.

Notes to the consolidated financial statements continued

The total consideration for the above three transactions is expected to be approximately £18.1 million. These acquisitions contributed £2.7 million revenue and £0.1 million profit. At the end of the reporting period the purchase price allocations for Destined and Maverick have not been fully finalised and therefore the assets and liabilities remain provisional. Once the opening balance sheet is finalised the purchase price allocation can be concluded and therefore the calculated goodwill is provisional. During the measurement period in 2022, S⁴Capital Group will obtain the information necessary to identify and measure the assets and liabilities and retrospectively adjust the provisional amounts recognised at the acquisition date.

Technology Services practice

Zemoga

On 17 September 2021, S⁴Capital plc announced (completed and control passed on 15 September 2021) the combination of Media.Monks with Zemoga, a US-based leading digital transformation services firm specialising in providing product design, engineering and delivery services to enterprise clients across multiple verticals, for a total consideration of £63.9 million. Since the acquisition date, Zemoga contributed £7.8 million to the Group's revenue and £2.4 million into the Group's profit for the year ended 31 December 2021. Once the opening balance sheet is finalised the purchase price allocation can be concluded and therefore the calculated goodwill is provisional. During the measurement period in 2022, S⁴Capital Group will obtain the information necessary to identify and measure the assets and liabilities and retrospectively adjust the provisional amounts recognised at the acquisition date.

Goodwill and other disclosures

The goodwill represents the potential growth opportunities and synergy effects from the acquisitions. The goodwill is not deductible for tax purposes. Trade receivables, net of expected credit losses, acquired are considered to be fair value and are expected to be collectable in full. The gross contractual amounts receivable of the acquired companies at the acquisition date are £14.7 million and the best estimate at the acquisition date of the contractual cash flows not expected to be collected is £0.4 million.

Contingent consideration arising from business combinations is fair valued, with key inputs including the probability of success of the combinations achieving target, consideration of potential delays and the expected levels of future revenues. The contingent consideration is contingent on the acquired companies achieving their 2021 results and, in some cases their 2022 and 2023 results, as forecasted upon acquiring the subsidiary. The contingent considerations are included for the maximum amount of the consideration expected to be paid which is in line with management's estimate of expected pay-out. In 2021, the contingent consideration arising from business combinations is £57.8 million. The contingent consideration can be materially lower in case the acquired companies do not reach their forecasted results. Contingent consideration classified as a liability is subject to remeasurement at each reporting date until its ultimate settlement date. Any change in the fair value of the liability due to events that occur after the acquisition date would be recognized in the profit or loss.

Deferred considerations are commonly expected to be paid on the second-year anniversary of the acquisition date. Holdbacks as part of the purchase consideration are in some cases held in escrow accounts and are expected to be released within two years of the acquisition date.

The contingent consideration and holdback liabilities of £118.1 million as at 31 December 2021 includes £67.9 million of employment linked consideration and £16.8 million of holdbacks. During 2021, an amount of £25.2 million of contingent consideration and holdback have been paid.

The total acquisition costs of £8.1 million (2020: £10.8 million) have been recognised under acquisition and set-up related expenses in the statement of profit or loss.

If the acquisitions had occurred on 1 January 2021, the Group's revenue would have been £740.2 million and the Group's loss for the year would have been £98.1 million.

4. Acquisitions

B. Restatements

As stated on page 116 of the Group's Annual Report and Accounts 2020, the initial accounting for the business combinations of Decoded, Metric Theory, BrightBlue and Orca Pacific, were incomplete at the end of the reporting period ended 31 December 2020. At the end of the reporting period, the identifiable intangibles acquired were not fully identified, were consequently not fully measured and were therefore not fully deducted from goodwill as at 31 December 2020.

During the reporting period ended 31 December 2021, S⁴Capital Group has obtained the information necessary to identify and measure the identifiable assets and liabilities for the business combinations of Decoded, Metric Theory, Brightblue and Orca Pacific and has adjusted its intangible assets, deferred tax liabilities and reserves as of 31 December 2020, as required by IFRS 3, as follows:

Restatement Note	31 Dec 2020 £000	Adjustment £000	31 Dec 2020 restated £000
Intangible assets – Customer relationships	39,379	56,537	95,916
Intangible assets – Brand names	1,059	1,758	2,817
Intangible assets – Order backlog	3,065	2,989	6,054
Intangible assets – Software	2,269	2,462	4,731
Property, plant and equipment, ROU assets	2,453	5,175	7,628
Cash and cash equivalents	267	–	267
Trade and other receivables	19,814	–	19,814
Other non-current assets	38,160	317	38,477
Trade and other payables	(40,026)	56	(39,970)
Current taxation	(418)	–	(418)
Lease liabilities	(674)	(5,971)	(6,645)
Other non-current liabilities	(1,937)	–	(1,937)
Deferred taxation	(11,664)	2,306	(9,358)
Net assets	51,747	65,629	117,376
Goodwill	228,376	(61,807)	166,569
Total purchase consideration	280,123	3,822	283,945
Payment in kind (common stock)	73,671	(2,234)	71,437
Cash	123,442	–	123,442
Deferred consideration	35,111	–	35,111
Contingent consideration	47,899	(1,588)	46,311
Total purchase consideration	280,123	(3,822)	276,301
Cash purchase consideration	123,442	–	123,442
Cash and cash equivalents	19,814	–	19,814
Cash outflow on acquisition (net of cash acquired)	103,628	–	103,628

Notes to the consolidated financial statements continued

5. Financial instruments – fair values and risk assessment

The Board of Directors of S⁴Capital plc has overall responsibility for the determination of the Group's risk management objectives and policies. The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility. S⁴Capital Group reports in Pound Sterling. All funding requirements and financial risks are managed based on policies and procedures adopted by the board. S⁴Capital Group does not issue or use financial instruments of a speculative nature.

S⁴Capital Group is exposed to the following financial risks:

- Market risk
- Credit risk
- Liquidity risk

In common with all other businesses, S⁴Capital Group is exposed to risks that arise from its use of financial instruments. The principal financial instruments used by the Group, from which financial instrument risk arises, are as follows:

- Trade and other receivables
- Cash and cash equivalents and restricted cash
- Trade and other payables
- Bank loans

To the extent financial instruments are not carried at fair value in the consolidated balance sheet, the carrying amount approximates to fair value as of the financial year end due to the short-term nature.

Financial instruments by category

	31 Dec 2021	31 Dec 2020 Restated ¹
	£000	£000
Financial assets		
Financial assets at amortised cost		
Cash and cash equivalents	301,021	142,052
Gross trade receivables	277,067	162,960
Loss allowance for trade receivables	(5,320)	(3,362)
Accrued income	36,870	12,934
Other receivables	12,365	4,621
Total	622,003	319,205

Note:

1. Restated for the initial accounting for the business combination of Decoded as required by IFRS 3. Details are disclosed in Note 4.

	31 Dec 2021	31 Dec 2020
	£000	£000
Financial liabilities		
Financial liabilities at amortised cost		
Trade and other payables	265,172	161,298
Contingent consideration and holdbacks	118,119	69,923
Loans and borrowings	311,094	90,442
Lease liabilities	41,968	28,960
Total	736,353	350,623

Note:

1. Restated for the initial accounting for the business combinations of Decoded, Metric Theory, Orca Pacific and BrightBlue as required by IFRS 3. Details are disclosed in Note 4.

The management of risk is a fundamental area of focus of S⁴Capital Group's management. This Note summarises the key risks to the Group and the policies and procedures put in place by management to manage them.

A. Market risk

Market risk arises from S⁴Capital Group's use of interest bearing and foreign currency financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk) or foreign exchange rates (currency risk).

Interest rate risk

S⁴Capital Group is exposed to cash flow interest rate risk from bank borrowings at variable rates. S⁴Capital Group's bank loans and other borrowings are disclosed in Note 18. S⁴Capital Group manages the interest rate risk centrally.

The following table demonstrates the sensitivity to a 1% change (lower/higher) to the interest rates of the loans and borrowings as of year end to the loss in the current year before tax (increase/decrease) and net assets (increase/decrease) for the year:

	2021 £000	2020 £000
Bank loans	319,055	90,441
+/- 1% impact	3,191	904

The contractual repricing or maturity dates, whichever dates are earlier, and effective interest rates of borrowings are disclosed in Note 18.

Foreign exchange risk

Foreign exchange risk is the risk that movements in exchange rates affect the profitability of the business. S⁴Capital Group manages this risk through natural hedging. The effect of fluctuations in exchange rates on the USD, EUR and other currencies denominated trade receivables and payables is partially offset.

The S⁴Capital Group's gross exposure to foreign exchange risk is as follows:

	GBP £000	USD £000	EUR £000	Other currencies £000	Total £000
At 31 December 2021					
Trade and other receivables	10,070	174,799	36,466	50,412	271,747
Cash and cash equivalents	105,966	134,743	31,163	29,149	301,021
Trade and other payables	(9,369)	(137,522)	(24,101)	(33,993)	(204,985)
Loans and borrowings	–	(127)	(318,898)	(30)	(319,055)
Financial assets/(liabilities)	106,667	171,893	(275,370)	45,538	48,728
+/- 10% impact	–	17,189	(27,537)	4,554	(5,794)

	GBP £000	USD £000	EUR £000	Other currencies £000	Total £000
At 31 December 2020					
Trade and other receivables	5,508	117,495	15,911	20,684	159,598
Cash and cash equivalents	18,939	90,847	16,513	15,753	142,052
Trade and other payables	(5,416)	(86,524)	(15,551)	(19,853)	(127,344)
Loans and borrowings	–	(59,806)	(31,466)	(13)	(91,285)
Financial assets/(liabilities)	19,031	62,012	(14,593)	16,571	83,021
+/- 10% impact	–	6,201	(1,459)	1,657	6,399

The impact of a 10% movement in the foreign exchange rates will result in an increase/decrease of loss before tax and financial assets/(liabilities) by £5.8 million at 31 December 2021 (31 December 2020: £6.4 million).

Notes to the consolidated financial statements continued

B. Credit risk

Credit risk is the risk of financial loss to S⁴Capital Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. S⁴Capital Group is mainly exposed to credit risk from credit sales. The Group's net trade receivables for the reported periods are disclosed in the financial assets table above. S⁴Capital Group attempts to mitigate credit risk by assessing the credit rating of new customers prior to entering into contracts and by entering contracts with customers with agreed credit terms. In order to minimise this credit risk, S⁴Capital Group endeavours only to deal with companies which are demonstrably creditworthy and this, together with the aggregate financial exposure, is continuously monitored. The maximum exposure to credit risk is the value of the outstanding amount. S⁴Capital Group evaluates the collectability of its accounts receivable and provides an allowance for expected credit losses based upon the ageing of receivables as shown in Note 16.

Other receivables are considered to be low risk. The management do not consider that there is any concentration of risk within other receivables. The non-current other receivables consist mainly of non-current rent deposits. The loss allowance for other receivables is based on the three stage expected credit loss model. No other receivables have had material impairment.

Credit risk on cash and cash equivalents is considered to be small as the counterparties are all substantial banks with high credit ratings. As per the end of the reporting period, credit ratings are summarised in the table below:

	31 Dec 2021 £000	31 Dec 2020 £000
Aa 1	981	188
Aa 2	87,164	58,584
Aa 3	26,356	50,536
A 1	161,853	8,511
A 2	4,440	4,359
A 3	520	7,816
Baa 1	198	–
Baa 2	12,017	7,012
Baa 3	713	96
Ba 2	3,077	–
B 2	334	154
No credit rating	3,368	4,796
Total cash and cash equivalents	301,021	142,052

The maximum exposure is the amount of the deposit. To date, S⁴Capital Group has not experienced any losses on its cash and cash equivalent deposits.

C. Liquidity risk

Liquidity risk arises from the Group's management of working capital. It is the risk that S⁴Capital Group will encounter difficulty in meeting its financial obligations as they fall due. The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. The table below analyses the Group's financial liabilities by contractual maturities and all amounts disclosed in the table are the undiscounted contractual cash flows:

	Within 1 year £000	1–2 years £000	2–5 years £000	More than 5 years £000
At 31 December 2021				
Trade payables	204,985	–	–	–
Lease liabilities	10,545	6,378	17,824	7,221
Contingent consideration and holdbacks	86,370	31,749	–	–
Loans and borrowings	1,899	–	1,427	315,105
Interest payments	12,441	11,817	35,452	19,695
Total	316,240	49,944	54,703	342,021
	Within 1 year £000	1–2 years £000	2–5 years £000	More than 5 years £000
At 31 December 2020				
Trade payables	127,344	–	–	–
Lease liabilities ¹	8,100	4,887	10,356	5,616
Contingent consideration and holdbacks ¹	37,330	32,370	223	–
Loans and borrowings	45,623	–	45,662	–
Interest payments	1,260	1,260	630	–
Total	219,657	38,517	56,871	5,616

Note:

1. Restated for the initial accounting for the business combination of Decoded as required by IFRS 3. Details are disclosed in Note 4.

D. Capital management

As per the end of the reporting period, the Group's net cash position is made up as follows:

	31 Dec 2021 £000	31 Dec 2020 £000
Loans and borrowings	(319,055)	(91,285)
Cash and cash equivalents	301,021	142,052
Total	(18,034)	50,767

Changes in loans and borrowings, during the reporting period, arose due to the drawdowns and repayments of the rolling credit facility ('RCF') and the bank overdrafts. See Note 18 for more details.

The Group's capital as at the end of the reporting period is disclosed on page 110.

The Group's objectives when maintaining capital are:

- to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareowners and benefits for other stakeholders; and
- to provide an adequate return to shareowners by pricing products and services commensurately with the level of risk.

The risks to safeguard the ability to continue as a going concern and to provide an adequate return to our shareowners are reviewed and discussed regularly by the Board in order to meet our objectives.

The capital structure of S⁴Capital Group consists of shareowners' equity as set out in the consolidated statement of changes in equity. All working capital requirements are financed from existing cash resources and borrowings.

Notes to the consolidated financial statements continued**6. Segment information****A. Revenue from operations**

	2021 £000	2020 £000
Services	686,601	342,687
Total	686,601	342,687

All revenue is recognised over time.

S⁴Capital Group has an attractive and expanding client base with five clients providing more than £20 million of revenue per annum representing 31% of revenue, of which one customer accounts for more than 10% of our revenues; in 2020 this was three clients representing 29% of revenue.

B. Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the Board of Directors of S⁴Capital Group.

During the year, S⁴Capital Group has been active in three segments.

- **Content:** Creative content, campaigns and assets at a global scale for paid, social and earned media – from digital platforms and apps to brand activations that aim to convert consumers at every possible touchpoint.
- **Data&Digital Media:** this technology and services practice encompasses full-service campaign management analytics, creative production and ad serving, platform and systems integration and transition and training and education.
- **Technology Services:** digital transformation services in delivering advanced digital product design, engineering services and delivery services.

The customers are primarily businesses across technology, FMCG and media & entertainment. Any intersegment transactions are based on commercial terms.

The Board of Directors monitor the results of the operating segments separately for the purpose of making decisions about resource allocation and performance assessment prior to charges for tax, depreciation and amortisation.

Operating segment information under the primary reporting format is disclosed below:

2021	Content £000	Data&Digital Media £000	Technology Services £000	Total £000
Gross profit	385,552	167,079	7,632	560,263
Segment profit¹	52,286	55,024	3,087	110,397
Overhead costs				(9,410)
Adjusted non-recurring and acquisition related expenses				(97,372)
Depreciation ² and amortisation				(45,670)
Net finance expenses and loss on net monetary position				(13,595)
Profit before income tax				(55,650)

Notes:

1. Including £10.8 million depreciation on right-of-use assets.
2. Excluding £10.8 million depreciation on right-of-use assets.

2020	Content £000	Data&Digital Media £000	Total £000
Gross profit	220,497	74,685	295,182
Segment profit¹	46,687	21,603	68,290
Overhead cost			(6,112)
Adjusted non-recurring and acquisition related expenses			(26,669)
Depreciation ² and amortisation			(27,376)
Net finance expenses			(5,037)
Profit before income tax			3,096

Notes:

1. Including £9.6 million depreciation on right-of-use assets.
2. Excluding £9.6 million depreciation on right-of-use assets.

The Board of S⁴Capital Group uses gross profit rather than revenue to manage the Company due to the fluctuating amounts of third-party costs and/or pass-through expenses, which form part of revenue. The revenue amounted to £686.6 million, 75% from Content, 24% from Data&Digital Media and 1% from Technology Services. In 2020 the revenue amounted to £342.7 million, 78% from Content practice and 22% from Data&Digital Media.

No analysis of the assets and liabilities of each operating segment is provided to the chief operating decision maker ('CODM') in the monthly management accounts; therefore, no measure of segmental assets or liabilities is disclosed in this Note.

C. Revenue by geography

An analysis of external revenue by geographical market is given below:

	2021 £000	2020 £000
The Americas	452,608	243,458
Europe, Middle East & Africa	166,133	70,611
Asia Pacific	67,860	28,618
Total	686,601	342,687

Notes to the consolidated financial statements continued

7. Operating expenses

	2021 £000	2020 £000
Personnel expenses		
Wages and salaries	327,653	150,485
Social security costs	42,452	19,015
Defined contribution pension costs	9,045	4,322
Share based compensation	13,876	12,331
Other personnel costs	19,511	18,982
Total	412,537	205,135

The key management personnel comprise the Directors of the Group. Details of compensation for key management personnel are disclosed on pages 71 to 91.

	2021	2020
Monthly average number of employees		
The Americas	3,639	1,537
Europe, Middle East & Africa	1,524	871
Asia Pacific	631	269
Total	5,794	2,677

	2021 £000	2020 £000
Other operating expenses		
IT expenses	16,320	8,132
Consultancy fees	6,161	3,942
Accounting and administrative service fees	5,011	2,577
Operating lease costs	4,448	1,500
Sales and marketing costs	3,713	2,577
Legal fees	3,229	1,801
Travel and accommodation costs	2,318	2,099
Insurance fees	1,807	1,603
Other general and administrative costs	6,822	6,330
Total	49,829	30,561

Impairment losses on trade receivables during the reporting period, amounting to £1.8 million (2020: £2.4 million) are included in general and administrative costs. Subsequent recoveries of amounts previously written off are credited against the same line item. Operating lease costs mainly relate to short term lease costs for land and buildings subject to a practical expedient under IFRS 16.

Audit fees included in general and administrative costs are as follows:

	2021 £000	2020 £000
Audit fees		
Group audit fees	550	358
Subsidiaries audit fees	1,146	611
Audit related assurance services	130	87
Total	1,826	1,056

Audit related assurance services relates to the fee charged for the half-year review.

	2021 £000	2020 £000
Acquisition and set-up related expenses		
Advisory, legal, due diligence and related costs	10,485	13,617
Acquisition related bonuses	761	2,151
Contingent consideration ¹	72,250	(1,430)
Total	83,496	14,338

Note:

1. Contingent consideration is deemed remuneration expenses according to IFRS 3.

	2021 £000	2020 £000
Depreciation and amortisation		
Depreciation of property, plant and equipment and right-of-use assets	16,965	13,867
Amortisation of intangible assets	39,491	23,148
Total	56,456	37,015

8. Finance income and expenses

	2021 £000	2020 £000
Finance income		
Interest income	1,032	698
Total	1,032	698

	2021 £000	2019 2020
Finance expenses		
Interest on lease liabilities	(1,602)	(972)
Interest on bank loans and overdrafts	(6,169)	(1,310)
Other financial income and expenses	(5,512)	(3,453)
Total	(13,283)	(5,735)

Notes to the consolidated financial statements continued

9. Income tax expense

The corporate income tax charge comprises the following:

	2021 £000	2020 £000
Current tax for the year	(12,638)	(12,970)
Adjustments for current tax of prior years	620	(203)
Total current tax	(12,018)	(13,173)
Movement in deferred tax liabilities	6,594	(13,173)
Movement in deferred tax assets	4,359	6,148
Income tax expense in profit or loss	(1,065)	(7,025)
	2021 £000	2020 £000
Income (Loss) before income taxes	(55,650)	3,096
Tax at the UK rate of 19% (2020:19%)	10,574	(589)
Tax effect of amounts which are non-deductible (taxable)	(12,840)	(4,245)
Differences in overseas tax rates	581	(1,988)
Adjustment for current taxes of prior years	620	(203)
Income tax expense in profit or loss	(1,065)	(7,025)

The applicable tax rate is based on the proportion of the contribution to the result by the Group entities and the tax rate applicable in the respective countries. The applicable tax rate in the respective countries ranges from 0% to 34%¹. The effective tax rate for the year deviates from the applicable tax rate mainly because of non-deductible items, amortisation, accelerated capital allowances over depreciation on plant, property and equipment and differences in overseas tax rate. In 2021 the effective tax rate was impacted by two discreet items in the US, which are not expected to recur in following years.

Note:

1. The Group ensures that companies operating in low-tax jurisdictions have genuine commercial activities and operations and are not located there to take advantage of its tax regime.

10. Earnings per share

	2021	2020
Loss attributable to shareowners of the Company (£000)	(56,715)	(3,929)
Weighted average number of Ordinary Shares	551,752,618	493,290,974
Basic loss per share (pence)	(10.3)	(0.8)
Diluted loss per share (pence)	(10.3)	(0.8)

Earnings per share is calculated by dividing the net result attributable to the shareowners of the S⁴Capital Group by the weighted average number of Ordinary Shares in issue during the year.

11. Intangible assets

	Goodwill £000	Customer relationships £000	Brands £000	Order backlog £000	Other £000	Total £000
Net book value at 1 January 2020	328,836	192,108	13,981	–	5,204	540,129
Acquired through business combinations	228,376	39,379	1,059	3,065	2,269	274,148
Additions	–	–	–	–	34	34
Reclassifications	(2,793)	2,298	211	–	–	(284)
Amortisation charge for the year	–	(17,747)	(1,866)	(1,919)	(1,616)	(23,148)
Foreign exchange differences	5,503	2,303	294	56	94	8,250
Total transactions during the year	231,086	26,233	(302)	1,202	781	259,000
Cost	559,922	250,583	16,799	8,805	8,745	844,854
Accumulated amortisation	–	(32,243)	(3,121)	(7,604)	(2,757)	(45,725)
Net book value at 31 December 2020 as previously reported	559,922	218,340	13,678	1,201	5,988	799,129
Restatement ¹	(61,809)	56,537	1,758	2,989	2,462	1,937
Net book value at 31 December 2020	498,113	274,877	15,436	4,190	8,450	801,066
Acquired through business combinations	134,975	86,552	2,804	3,547	829	228,707
Addition	–	–	–	–	3,458	3,458
Amortisation charge for the year	–	(26,762)	(3,312)	(6,380)	(3,037)	(39,491)
Foreign exchange differences	(8,462)	(3,790)	(431)	(28)	(114)	(12,825)
Total transactions during the year	126,513	56,000	(939)	(2,861)	1,136	179,849
Cost	624,626	389,040	20,883	14,987	15,203	1,064,739
Accumulated amortisation	–	(58,163)	(6,386)	(13,658)	(5,617)	(83,824)
Net book value at 31 December 2021	624,626	330,877	14,497	1,329	9,586	980,915

Note:

1. Restated for the initial accounting for the business combinations of Decoded, and Metric Theory (completed and control passed on 31 December 2020) as required by IFRS 3.

Goodwill

Goodwill represents the excess of consideration over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition.

Goodwill – initial accounting

The initial accounting of the business combinations as described in Note 4 is incomplete at the end of the reporting period. As of 31 December 2021, the identifiable intangibles acquired are not yet identified and consequently not yet measured and are therefore not deducted from goodwill. During the measurement period in 2022, S⁴Capital Group will obtain the information necessary to identify and measure the assets and liabilities and retrospectively adjust the provisional amounts recognised at the acquisition date (see Note 4).

Goodwill – impairment testing

Goodwill acquired through business combinations is allocated to CGUs for impairment testing. The goodwill balance is allocated to the following CGUs:

	31 Dec 2021 £000	31 Dec 2020 £000
Technology Services	42,200	–
Content	372,043	338,962
Data&Digital Media	210,383	220,960
Total	624,626	559,922

Notes to the consolidated financial statements continued

The recoverable amount for each CGU is determined using a value-in-use calculation. This calculation uses forecasted operating profit adjusted for non-cash transactions to generate cash flow projections. The forecasts are prepared by management based on board approved business plans for each CGU which reflect result expectations, cash performance and historic trends.

An underlying revenue growth rate of 21% to 45% per annum depending on the practice in years one to three have been used accordingly. Beyond the explicit three year forecast period a two year transition period, bridging the revenue growth to the assessed long-term growth rate has been used. After year five a long-term growth rate has been applied in perpetuity. A terminal value has been applied using an underlying long-term growth rate of 2.0%. The cash flows have been discounted to present value using a pre-tax discount rate which was between 9.4% and 9.8% depending on the practice. The value-in-use exceeds the carrying amount of the CGUs by two to three times.

Sensitivity analysis has been carried out by adjusting the WACC and adjusting the long-term growth rate. Based on the Group's impairment review, no indications of impairment has been identified. In carrying out its assessment of the goodwill, management believes that there are no CGUs where reasonably possible changes to the underlying assumptions exist that would give rise to impairment.

During the year an amount of £135.0 million has been added to goodwill for newly acquired businesses, refer to Note 4 for further details. The impairment review was carried out over goodwill with these new businesses. No events or changes in circumstances indicate that the carrying amount of the acquisitions in 2021 may not be recoverable.

12. Property, plant and equipment

	Leasehold improvements £000	Furniture and fixtures £000	Hard-and software £000	Other assets £000	Total £000
Cost	8,786	1,918	6,654	311	17,669
Accumulated depreciation	(3,088)	(772)	(3,882)	(197)	(7,939)
Net book value at 1 January 2020	5,698	1,146	2,772	114	9,730
Acquired through business combinations	538	467	740	5	1,750
Additions	2,629	530	4,206	31	7,396
Depreciation	(1,470)	(576)	(2,156)	(26)	(4,228)
Disposals	(250)	(189)	–	(63)	(502)
Foreign exchange differences	218	3	178	(8)	391
Total transactions during the year	1,665	235	2,968	(61)	4,807
Cost	9,507	2,530	12,814	211	25,062
Accumulated depreciation	(2,144)	(1,149)	(7,074)	(158)	(10,525)
Net book value at 31 December 2020	7,363	1,381	5,740	53	14,537
Acquired through business combinations	452	547	1,145	683	2,827
Additions ¹	2,136	333	8,108	830	11,407
Depreciations	(1,509)	(482)	(3,894)	(294)	(6,179)
Disposals	–	(46)	(62)	(131)	(239)
Foreign exchange differences depreciation	(312)	(31)	(426)	(36)	(805)
Total transactions during the year	767	321	4,871	1,052	7,011
Cost	11,583	3,496	21,966	1,020	38,065
Accumulated depreciation	(3,453)	(1,794)	(11,355)	85	(16,517)
Net book value at 31 December 2021	8,130	1,702	10,611	1,105	21,548

Note:

1. Including hyperinflation revaluation of £0.3 million (2020: nil).

S⁴Capital Group has pledged the assets of its companies as security for a facility agreement. See Note 18 for further information.

13. Deferred tax assets and liabilities

	Property, plant and equipment £000	Carry forward losses £000	Total £000	
Deferred tax assets				
At 1 January 2020				
(Credit) charge for the year	(320)	637	317	
Acquired through business combinations	–	587	587	
Foreign exchange differences	–	78	78	
At 31 December 2020	–	2,068	2,068	
(Credit) charge for the year	173	4,186	4,359	
Acquired through business combinations	143	34	177	
Foreign exchange differences	6	(84)	(78)	
At 31 December 2021	322	6,204	6,526	
Deferred tax liabilities				
	Intangible assets £000	Loans and borrowings £000	Property, plant and equipment £000	Total £000
At 1 January 2020				
Acquired through business combinations	11,664	–	–	11,664
Investments	–	–	126	126
Credited to profit or loss	(5,759)	(11)	(61)	(5,831)
Foreign exchange differences	1,063	55	189	1,307
At 31 December 2020	61,569	211	320	62,100
Restatement	(2,306)	–	–	(2,306)
Balance at 31 December 2020	59,263	211	320	59,794
Acquired through business combinations	16,514	–	–	16,514
Investments	–	–	31	31
Credited to profit or loss	(6,941)	(211)	558	(6,594)
Foreign exchange differences	(1,274)	–	7	(1,267)
At 31 December 2021	67,562	–	916	68,478

Recognition of the deferred tax assets is based upon the expected generation of future taxable profits. Our expectation is based on long-term planning. The deferred tax asset is expected to be recovered in more than one year's time and the deferred tax liability will reverse in more than one year's time as the intangible assets are amortised.

Notes to the consolidated financial statements continued

14. Interest in other entities

Subsidiaries

The Group's subsidiaries at the end of the reporting period are set out below. Unless otherwise stated, they have share capital consisting solely of Ordinary Shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group. S⁴Capital 2 Ltd has Ordinary Shares, 4000 A2 Incentive Shares, 2000 options over A1 Incentive Shares as disclosed in Note 21. S⁴Capital plc directly holds 100% ownership in S⁴Capital 2 Ltd. S⁴Capital plc indirectly holds 100% ownership in the other entities.

Name of entity	Address of the registered office	Place of business/ Country of incorporation	Ownership interest	Principal activity
S ⁴ Capital 2 Ltd.	3rd Floor, 44 Esplanade, St Helier, Jersey	Jersey	100	Holding Company
S ⁴ Capital Acquisitions 1 Ltd.	3rd Floor, 44 Esplanade, St Helier, Jersey	Jersey	100	Financing Company
S ⁴ Capital Acquisitions 2 Ltd.	3rd Floor, 44 Esplanade, St Helier, Jersey	Jersey	100	Holding Company
S ⁴ Capital EMEA Holdings BV	Oude Amersfoortseweg 125, 1212 AA Hilversum	The Netherlands	100	Holding Company
S ⁴ Capital Holdings Ltd.	3rd Floor, 44 Esplanade, St Helier, Jersey	Jersey	100	Holding Company
S ⁴ Capital AUD Finance Ltd.	3rd Floor, 44 Esplanade, St Helier, Jersey	Jersey	100	Holding Company
S ⁴ Capital INR Finance Ltd.	3rd Floor, 44 Esplanade, St Helier, Jersey	Jersey	100	Holding Company
S ⁴ Capital CAD Finance Ltd	3rd Floor, 44 Esplanade, St Helier, Jersey	Jersey	100	Holding Company
S ⁴ Capital US Holdings LLC	850 New Burton Road Dover DE 19904	United States of America	100	Holding Company
MediaMonks Multimedia Holding BV	Oude Amersfoortseweg 125, 1212 AA Hilversum	The Netherlands	100	Holding Company
MediaMonks BV	Oude Amersfoortseweg 125, 1212 AA Hilversum	The Netherlands	100	Content practice
MediaMonks Inc.	1220 N. Market Street, Suite 850 Wilmington, County of New Castle, DE 19801	United States of America	100	Content practice
The Monastery LLC (Previously MediaMonks Films LLC)	1220 N. Market Street, Suite 850 Wilmington, County of New Castle, DE 19801	United States of America	100	Content practice
MediaMonks London Ltd.	42 St John St, London	United Kingdom	100	Content practice
MediaMonks Singapore Pte Ltd.	60 Paya Lebar Road #0843 Paya Lebar Square, Singapore 409051	Singapore	100	Content practice
Made.for.Digital Pte Ltd.	198A Telok Qyer Street, Singapore 068637	Singapore	100	Content practice

Name of entity	Address of the registered office	Place of business/ Country of incorporation	Ownership interest	Principal activity
MediaMonks Mexico City S. de R.L. de C.V.	Amsterdam 271 Int 203, Colonia Hipodromo, Delegación Cuauhtemoc, CP 06100 CDMX	Mexico	100	Content practice
MediaMonks FZ-LLC	Dubai Media City Building 5, Office 205 PO Box No. 502921 Dubai	United Arab Emirates	100	Content practice
MediaMonks Hong Kong Ltd.	Unit 3203-4, No. 69 Jervois Street, Sheung Wan, Hong Kong	Hong Kong	100	Holding Company
MediaMonks Information Technology (Shanghai) Co. Ltd.	9 Donghu Road, 18th floor, Xuhui District, 200031, Shanghai	P.R. China	100	Content practice
MediaMonks Stockholm AB	Norrandsgatan 18, 11143 Stockholm	Sweden	100	Content practice
MediaMonks Buenos Aires SRL	Tucumán 1, 4th Floor, Buenos Aires	Argentina	100	Content practice
MediaMonks Sao Paulo Serv. De Internet para Publicidade Ltda.	Rua Fidalga 162, Vila Madalena 05432-000, Sao Paulo	Brazil	100	Content practice
MediaMonks Cape Town Pty Ltd.	Wanderers Office Park, 52 Corlett Drive, Illovo, Johannesburg	South Africa	100	Content practice
M-Monks Digital Media Pte Ltd.	Flat No. 402, Paras Pearl, No. 161, Greenglen Layout, Sarjapur Outer Ring Rd, Bellandur, Bangalore 0 560037, Karnataka	India	100	Content practice
MediaMonks Seoul Yuhan Chaekim Hoesa	7021 Register 03, 7F, Tower 1, Gran Seoul, 33 Jong0ro, Jongnogu Seoul, Zip 03159	Republic of Korea	100	Content practice
MediaMonks Tokyo GK	1-6-5 Jinnan, Shibuya Ku, Tokyo 150-0041	Japan	100	Content practice
Superhero Cheesecake BV	Oostelijke Handelskade 637, 1019 BW Amsterdam	The Netherlands	100	Content practice
Superhero Cheesecake Inc.	874 Walker Road, Suite C, Dover, County of Kent, DE 19904	United States of America	100	Content practice
IMAgency BV	Prinsengracht 581, 1016 HT, Amsterdam	The Netherlands	100	Content practice
IMAgency USA Inc.	874 Walker Road, Suite C, Dover County of Kent, DE 19904	United States of America	100	Content practice
MightyHive Inc.	850 New Burton Road, Suite 201, Dover, DE 19904	United States of America	100	Data&Digital Media practice

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Name of entity	Address of the registered office	Place of business/ Country of incorporation	Ownership interest	Principal activity
MightyHive SG Ptd Ltd.	71 Robinson Road, Level 14 #14-01, Singapore, 068895	Singapore	100	Data&Digital Media practice
MightyHive Ltd.	The Pinnacle, 160 Midsummer Boulevard, Milton Keynes, MK9 1FF	United Kingdom	100	Data&Digital Media practice
MightyHive AU Pty Ltd.	383 George Street, Level 2, Sydney, NSW 2000	Australia	100	Data&Digital Media practice
MightyHive Holdings Ltd.	394 Pacific Avenue, Floor 5, San Francisco, CA 94111	Canada	100	Data&Digital Media practice
MightyHive KK	1 Chome 11-1, Nishiikebukuro, Toshima-ku, Tokyo, 171-0021	Japan	100	Data&Digital Media practice
MightyHive Hong Kong Ltd.	47/F Central Plaza, 18 Harbour Road, Wanchai	Hong Kong	100	Data&Digital Media practice
PT Mighty Hive Indonesia	Level 23 Revenue Tower, SCBD, Jl. Jendral Sudirman No. 52-53, Jakarta 12190	Indonesia	100	Data&Digital Media practice
MightyHive India Pvt Ltd.	Shop No.2, Ram Niwas CHS Ltd., Ranchod Das Road, Dahisar West, Mumbai 400068, Maharashtra	India	100	Data&Digital Media practice
MightyHive NZ Ltd.	William Buck (NZ) Ltd, Level 4 Zurich House, 21 Queen Street, Auckland, 1010	New Zealand	100	Data&Digital Media practice
MightyHive SRL	Milano (MI) Via Marco Polo 11 CAP 20124	Italy	100	Data&Digital Media practice
Progmedia Consultoria Ltda	Rua Gomes de Carvalho, n° 1.356, set 76C, Vila Olímpia, CEP 04547-005, São Paulo	Brazil	100	Data&Digital Media practice
Progmedia Argentina SAS	Ortiz de Ocampo 3302 Building 1, 1st floor Office No. 7, Buenos Aires	Argentina	100	Data&Digital Media practice
Conversion Works Ltd.	Unit 6 Windsor Business Centre, Vansittart Estate, Windsor, Berkshire, SL4 1SP	United Kingdom	100	Data&Digital Media practice
MediaMonks US Holdco Inc.	850 New Burton Road, Suite 201, City of Dover, County of Kent, DE 19904	United States of America	100	Holding Company
Firewood Marketing Inc.	850 New Burton Road Suite 201, City of Dover, County of Kent, DE 19904	United States of America	100	Content practice
Firewood Marketing Mexico S. de R.L. de C.V.	Via Gustavo Baz No. 2160, Edificio 3, 1er. Piso Conjunto Corporativo Tlalnepantla	Mexico	100	Content practice

Name of entity	Address of the registered office	Place of business/ Country of incorporation	Ownership interest	Principal activity
Firewood Marketing Ireland Ltd.	3rd Floor Ulysses House, Foley Street, Dublin 1	Ireland	100	Content practice
S ⁴ Capital Australia Holdings Pty Ltd. (Previously MediaMonks Australia Holding Pty Ltd.)	c/- MinterEllison, Level 3, 25 National Circuit Forrest ACT 2603	Australia	100	Holding Company
MediaMonks Australia Pty Ltd.	209 Cecil St South Melbourne VIC 3205	Australia	100	Content practice
MediaMonks Toronto Ltd.	Suite 1800 – 510 West Georgia Street, Vancouver BC V6B 0M3	Canada	100	Content practice
Circus Network Holding, S.A.P.I. DE C.V.	Av. Paseo de la Reforma No. 296, Int. 37, Colonia Juarez, Alcaldía Cuauhtemoc, 06600, Mexico City	Mexico	100	Holding Company
Circus BA S.A.	Superi 1466, Ciudad De Buenos Aires, Buenos Aires City, 142	Argentina	100	Content practice
Circus Marketing Europa S.L.	Plaza de la Lealtad 2 – 4 ^a Planta, 28014 Madrid	Spain	100	Content practice
Bluetide, S.A.P.I DE C.V.	Av. Paseo de la Reforma No. 296, Int. 37, Colonia Juarez, Alcaldía Cuauhtemoc, 06600, Mexico City	Mexico	100	Content practice
Circus Marketing DF, S.A.P.I DE C.V	Av. Paseo de la Reforma No. 296, Int. 37, Colonia Juarez, Alcaldía Cuauhtemoc, 06600, Mexico City	Mexico	100	Holding Company
Tableau, S. DE R.L. DE C.V.	Av. Paseo de la Reforma No. 296, Int. 37, Colonia Juarez, Alcaldía Cuauhtemoc, 06600, Mexico City.	Mexico	100	Content practice
Circus Colombia, S.A.S	CALLE 98 22 64 OF 818, Bogota, DC	Colombia	100	Content practice
Circus Network Servicos De Marketing Eireli	Av Angelica, 2223, Conj 11P, Santa Cecilia, Sao Paulo, SP, CEP 01227–903	Brazil	100	Content practice
Jeronimo Holdings LLC	3500 S Dupont Hwy, Dover, Kent, DE 19901	United States of America	100	Holding Company
Circus US LLC	3500 S Dupont Hwy, Dover, Kent, DE 19901	United States of America	100	Holding Company
Circus LAX LLC	3500 S Dupont Hwy, Dover, Kent, DE 19901	United States of America	100	Holding Company

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Name of entity	Address of the registered office	Place of business/ Country of incorporation	Ownership interest	Principal activity
MediaMonks Kazakhstan LLP	010000, Nur-Sultan, Saryarka district, Saryarka Avenue, building 6, room 1	Republic of Kazakhstan	100	Content practice
MediaMonks Russia LLC	109012, Moscow, Maly Cherkassky pereulok, 2, floor 2, premises XIII, room 3B	Russian Federation	100	Content practice
S ⁴ Capital South America Holdings Ltd.	3rd Floor, 44 Esplanade, St Helier, Jersey	Jersey	100	Holding Company
S ⁴ Capital UK Holdings Ltd.	3rd Floor, 44 Esplanade, St Helier, Jersey	Jersey	100	Holding Company
Firewood Marketing UK Ltd.	12 St. James's Place, London, United Kingdom, SW1A 1NX	United Kingdom	100	Content practice
Digodat SA	Vallejos 4138 dtpo 4 CP1419 CABA	Argentina	100	Data&Digital Media practice
Flying Nimbus SAS	Mariscal Antonio José de Sucre 3063 CP 1428	Argentina	100	Data&Digital Media practice
Digocloud SAS	CR 11 NO. 94 A 25 OF 201 Bogotá	Colombia	100	Data&Digital Media practice
Digosoft SRL de CV	Goldsmith 40, ofna 9, Colonia Polanco, Delegación Miguel Hidalgo, Ciudad de México, CP 11550	Mexico	100	Data&Digital Media practice
Digolab SPA	La Capitanía nro 80, Bloque Of Dpto 108 Las Condes, Santiago	Chile	100	Data&Digital Media practice
Brightblue Consulting Ltd.	9 Appold Street, London, EC2A 2AP	United Kingdom	100	Content practice
Brightblue Holdings Ltd.	9 Appold Street, London, EC2A 2AP	United Kingdom	100	Holding Company
S ⁴ Capital France Holdings SAS	43–47 avenue de la Grande Armeé, 75116 Paris	France	100	Holding Company
Rewinda SAS	5 rue Rebeval, Appt 50, 75019 Paris	France	100	Content practice
Darewin SAS	36 Boulevard de Sebastopol, 75004 Paris	France	100	Content practice
S ⁴ Capital Germany Holdings GmbH	Brienner StraBe 28, 80333 Munchen	Germany	100	Holding Company
S ⁴ Capital APAC Holdings Ltd.	3rd Floor, 44 Esplanade, St Helier, Jersey	Jersey	100	Holding Company
S ⁴ Capital Investment Pte Ltd.	69 Neil Road, Singapore 088899	Singapore	100	Holding Company
Lens10 Pty Ltd.	Level 5, 249–251 Pitt Street, Sydney NSW 2000	Australia	100	Data&Digital Media practice

Name of entity	Address of the registered office	Place of business/ Country of incorporation	Ownership interest	Principal activity
MightyHive Korea Co. Ltd.	3F, 166, Toegye-ro, Jung-gu, Seoul	Republic of Korea	100	Data&Digital Media practice
Decoded US Holdco Inc.	850 New Burton Road, Suite 201, Dover, DE 19904	United States of America	100	Holding Company
Decoded Advanced Media LLC	32 Old Slip, Suite 705, New York, NY 10005	United States of America	100	Content practice
Decoded Advertising LLC	32 Old Slip, Suite 705, New York, NY 10005	United States of America	100	Content practice
Decoded Intelligence LLC	32 Old Slip, Suite 705, New York, NY 10005	United States of America	100	Content practice
Decoded Advertising UK Ltd.	Mercer & Hole, 21 Lombard Street, London EC3V 9AH	United Kingdom	100	Content practice
Metric US Holdco Inc.	850 New Burton Road, Suite 201, Dover, DE 19904	United States of America	100	Holding Company
Metric Theory LLC	311 California Street, 2nd Floor, San Francisco, CA 94104	United States of America	100	Data&Digital Media practice
Orca Pacific Manufacturers Representatives LLC	1100 Dexter Avenue North, Suite 200, Seattle, WA 98109-3598	United States of America	100	Data&Digital Media practice
Orca US Holdco Inc.	1100 Dexter Avenue North, Suite 200, Seattle, WA 98109-3598	United States of America	100	Holding Company
Made.for.Digital Inc.	874 Walker Road, Suite C, County of Kent, Dover, DE 19904	United States of America	100	Content practice
MightyHive AB	Norrlandsgatan 18, 111 47 Stockholm	Sweden	100	Data&Digital Media practice
MediaMonks Germany GmbH	Brienner StraBe 28, 80333 Munchen	Germany	100	Content Practice
MightyHive Germany GmbH	Brienner StraBe 28, 80333 Munchen	Germany	100	Data&Digital Media practice
MediaMonks Publishing BV	Oude Amersfoortseweg 125, 1212 AA Hilversum	The Netherlands	100	Content practice
MediaMonks Arabian Company for Media Production LLC	Riyadh 11437	Kingdom of Saudi Arabia	100	Content practice
Staud Studios GmbH	Mollenbachstr 3, 71229 Leonberg	Germany	100	Content practice
HeyDays GmbH	Grünberger Straße 54 10245 Berlin	Germany	100	Content practice

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Name of entity	Address of the registered office	Place of business/ Country of incorporation	Ownership interest	Principal activity
Hilanders (Hong Kong) Ltd	Room 303, 3/F., Golden Gate Commercial Building, 136-138 Austin Road, Tsim Sha Tsui, Kowloon	Hong Kong	100	Content practice
TOMORROW (Shanghai) Ltd	Room 2385, No. 12, Lane 65, Huandong No.1 Road, Fengjing Town, Jinshan District, Shanghai	P.R. China	100	Content practice
S ⁴ Capital Canada 2 Ltd	Suite 1700, Park Place 666, Burrard Street, Vancouver, BC, V6C 2X8	Canada	100	Holding Company
Jam3 Holding Inc	325 Adelaide Street West, Toronto, Ontario M5V 1P8	Canada	100	Holding Company
Jam3 of America Inc	3411 Silverside Rd, Rodney Building #104, Wilmington, DE	United States of America	100	Content practice
Jam3 EMEA B.V.	Nieuwezijdse Voorburgwal 104, 1012 SG Amsterdam	The Netherlands	100	Content practice
Farzul SA	Scosería 2671, Montevideo	Uruguay	100	Content practice
MediaMonks Malaysia Sdn Bhn	No. 256B, Jalan Bandar 12, Taman Melawati, Wilayah Persekutuan, Kuala Lumpur, 53100	Malaysia	100	Content practice
MightyHive France SAS	43-47 avenue de la Grande Armee, 75116 Paris	France	100	Data&Digital Media practice
Raccoon Publicidade Ltda.	Rua Dona Alexandrina, No. 1346, Vila Monteiro, Gleba I, City of São Carlos, State of São Paulo, 13.560-290	Brazil	100	Data&Digital Media practice
Rocky Publicidade Ltda.	Rua Romeu do Nascimento, No. 247, 2° floor, Jardim Portal da Colina, City of Sorocaba, State of São Paulo, 18.047-410	Brazil	100	Data&Digital Media practice
Permundi Agenciamento, Treinamentos e Tecnologia Ltda.	Rua Dona Alexandrina, No. 1346, Vila Monteiro, Gleba I, City of São Carlos, State of São Paulo, 13.560-290	Brazil	100	Data&Digital Media practice
Destined 4 Pty Ltd	Level 6, 8 West Street North Sydney, NSW 2060	Australia	100	Data&Digital Media practice
Destined 5 Pte Ltd	30 Cecil Street, #19-08, Prudential Tower, Singapore (049712)	Singapore	100	Data&Digital Media practice
S ⁴ Capital EUR Finance Ltd	3rd Floor, 44 Esplanade, St Helier, Jersey	Jersey	100	Holding Company
Cashmere Agency Inc	5242 West Adams Boulevard, Los Angeles, CA 90016	United States of America	100	Content practice

Name of entity	Address of the registered office	Place of business/ Country of incorporation	Ownership interest	Principal activity
Zemoga Inc	120 Old Ridgefield Rd., Wilton, CT 06897	United States of America	100	Technology Services
Zemoga SaS	Calle 95 15-09 Bogota	Colombia	100	Technology Services
S ⁴ Capital Italy Holdings Srl	Viale Abruzzi, 94 CAP 20131 Milano	Italy	100	Holding Company
S ⁴ Korea Bidco Ltd	3F, 166, Toegye-ro, Jung-gu, Seoul	Republic of Korea	100	Holding Company
Mamba Holding S.r.l.	Milano (mi), Viale Papiniano 44, 20123	Italy	100	Content practice
Miyagi S.r.l.	Milano (mi), Viale Papiniano 44, 20123	Italy	100	Content practice
Toga S.r.l.	Milano (mi), Viale Papiniano 44, 20123	Italy	100	Content practice
Maverick Digital Inc	12111 Clear Harbor Dr., Tampa, FL 33626	United States of America	100	Data&Digital Media practice
Maverick Digital Services Pvt Ltd	25/30, Fourth Floor, Babaji Complex, Tilak Nagar, Delhi 110018	India	100	Data&Digital Media practice
PT Media Monks Indonesia (in liquidation)	Equity Tower Building 35-37th floor, JL. JEND. SU-DIRMAN, KAV 52-53, De-sa/Kelurahan Senayan, Kec. Kebayoran Baru, Kota Adm. Jakarta Selatan, Provinsi DKI Jakarta, Kode Pos: 12190	Indonesia	100	Data&Digital Media practice
S4 Capital BRL Finance Ltd	3rd Floor, 44 Esplanade St Helier, Jersey	Jersey	100	Holding company
S4 Capital LUX Finance S.à.r.l.	20, rue Eugène Ruppert, L-2453 Luxembourg	Luxembourg	100	Holding company
MightyHive Information Technology (Shanghai) Co. Ltd	16 Qi Xia Lu, Pudong (New District), Shanghai, 200120	P.R. China	100	Data&Digital Media

Notes to the consolidated financial statements continued

15. Other receivables

The other receivables consist mainly of non-current rent deposits of £3.2 million (2020: £2.1 million).

16. Trade and other receivables

	31 Dec 2021 £000	31 Dec 2020 Restated ¹ £000
Trade receivables	271,747	159,598
Prepayments	14,516	4,555
Accrued income ²	36,870	12,934
Other receivables	12,365	4,621
Total	335,498	181,708

Notes:

1. Restated for the initial accounting for the business combination of Decoded as required by IFRS 3. Details are disclosed in Note 4.
2. The accrued income as at 31 December 2020 has been fully billed in 2021.

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

To measure the expected credit losses, trade receivables and accrued income have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of sales over a period of 36 months before the end of the period and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current- and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. On that basis, the loss allowance for trade receivables is determined as follows:

		Gross trade receivables £000	Impairment provision £000	Net trade receivables £000
Trade receivables				
Not passed due	0.20-0.25%	211,214	479	210,735
Past due one day to 30 days	0.40-0.50%	45,117	212	44,905
Past due 31 days to 60 days	0.60-1.00%	9,994	81	9,913
Past due 61 days to 90 days	0.80-2.00%	3,525	45	3,480
Past due more than 90 days	1.00-7.50%	2,966	252	2,714
Individual debtors in default	up to 100%	4,251	4,251	-
Balance at 31 December 2021		277,067	5,320	271,747

		Gross trade receivables £000	Impairment provision £000	Net trade receivables £000
Trade receivables				
Not passed due	0.20-0.25%	126,323	287	126,036
Past due one day to 30 days	0.40-0.50%	25,047	120	24,927
Past due 31 days to 60 days	0.60-1.00%	3,666	32	3,634
Past due 61 days to 90 days	0.80-2.00%	1,999	30	1,969
Past due more than 90 days	1.00-7.50%	3,307	279	3,028
Individual debtors in default	up to 100%	2,618	2,614	4
Balance at 31 December 2020		162,960	3,362	159,598

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with S⁴Capital Group. The changes in the loss allowance for trade receivables is as follows:

	2021 £000	2020 £000
Balance at the beginning of the year	3,362	1,445
Acquired through business combinations	399	–
Utilised during the period	(238)	(467)
Charge for the year	1,797	2,384
Balance as at the end of the year	5,320	3,362

Due to the short-term nature of the trade and other receivables, their carrying amount is considered to be the same as their fair value.

Information about the Group's exposure to credit risk, foreign currency risk and interest rate risk can be found in Note 5.

S⁴Capital Group has pledged the assets of its material companies as security for a facility agreement. See Note 18 for further information.

17. Cash and cash equivalents

The cash and cash equivalents in the statement of cash flows is made up as follows:

	2021 £000	2020 £000
Cash and cash equivalents	301,021	142,052
Bank overdrafts included under loans and borrowings	(1,899)	–
Cash and cash equivalents	299,122	142,052

Notes to the consolidated financial statements continued

18. Loans and borrowings

	Bank loans £000	Senior secured term loan B (TLB) £000	Transaction costs £000	Loan interests £000	Total £000
Loans and borrowings					
Balance at 1 January 2020	43,215	–	(841)	–	42,374
Additions	45,623	–	(244)	–	45,379
Acquired through business combinations	1,958	–	–	–	1,958
Repayments	–	–	–	–	–
Charged to profit-or-loss	–	–	286	–	286
Exchange rate differences	489	–	(45)	–	444
Total transactions during the year	48,070	–	(3)	–	48,067
Principal amount	93,083	–	(1,442)	–	91,641
Accumulated repayments	(1,798)	–	–	–	(1,798)
Accumulated charges to profit or loss	–	–	598	–	598
Balance at 31 December 2020	91,285	–	(844)	–	90,441
Drawdowns	24,632	318,938	(8,379)	–	335,191
Acquired through business combinations	2,760	–	–	–	2,760
Loans waived	(1,592)	–	–	–	(1,592)
Repayments	(110,895)	–	–	(5,530)	(116,425)
Charged to profit-or-loss	–	–	1,283	6,169	7,452
Exchange rate differences	(2,864)	(3,833)	(21)	(15)	(6,733)
Total transactions during the year	(87,959)	315,105	(7,117)	624	220,653
Principal amount	117,308	315,105	(9,789)	–	422,624
Accumulated repayments	(112,390)	–	–	(5,488)	(117,878)
Accumulated charges to profit-or-loss	(1,592)	–	1,828	6,112	6,348
Balance at 31 December 2021	3,326	315,105	(7,961)	624	311,094
Repayment obligations coming year	1,899	–	–	624	2,523
Long-term balance as at 31 December 2021	1,427	315,105	(7,961)	–	308,571
				2021	2020
Net debt reconciliation				£000	£000
Cash and cash equivalents				301,021	142,052
Loans and borrowings (excluding bank overdrafts)				(317,156)	(90,441)
Bank overdrafts				(1,899)	–
Net debt				(18,034)	51,611

A. New facility agreement

On 6 August 2021, S⁴Capital Group signed a new facility agreement, consisting of a Term Loan B (TLB) of EUR 375 million and a multicurrency Revolving Credit Facility (RCF) of £100 million. During 2021 the RCF remained fully undrawn. The interest on the facilities is the aggregate of the variable interest rate (EURIBOR, LIBOR or, in relation to any loan in GBP, SONIA) and a margin based on leverage (between 2.25% and 3.75%). The duration of the facility agreement is seven years in relation to the TLB, therefore the termination date is August 2028, and five years in relation to the RCF, therefore the termination date is August 2026.

During the reporting period, the average carried interest rate of the outstanding loans amounted to 2.96% (2020: 1.42%) The average effective interest rate for the outstanding loans is 2.93% (2020: 1.38%) and during the period interest expense of £6.2 million was recognised on a monthly basis.

B. Prepayment of previous facilities

On 9 August 2021, S⁴Capital Group has prepaid its previous facilities, consisting of a EUR 25.0 million term loan, USD 28.9 million term loan, a multicurrency Revolving Credit Facility (RCF) of EUR 35 million, which was fully drawn at the end of the reporting period, and a multicurrency Revolving Credit Facility (RCF) of EUR 43.5 million, which was fully drawn at the end of the reporting period. The repayments of these facilities amounted to £110.6 million. The capitalised transactions costs for these repaid facilities, which amounted to £1.0 million on 9 August 2021 were charged to profit-or-loss.

The new facility agreement imposes certain covenants on the Group. The loan agreement states that (subject to certain exceptions) S⁴Capital Group will not provide any other security over its assets and receivables and will ensure that the net debt will not exceed 4.50:1 of the proforma earnings before interest, tax, depreciation, and amortisation, measured at the end of any relevant period of 12 months ending each semi-annual date in a financial year.

During the year S⁴Capital Group complied with the covenants set in the loan agreement.

19. Leases

Right-of-use assets	Total £000
Balance at 1 January 2020	25,779
Acquired through business combinations	847
Additions	5,013
Disposals	(867)
Depreciation of right-of-use assets	(9,639)
Exchange rate differences	520
Balance at 31 December 2020	21,653
Restatement ¹	5,177
Balance at 31 December 2020	26,830
Acquired through business combinations	6,022
Additions	15,487
Disposals	(286)
Depreciation of right-of-use assets	(10,786)
Exchange rate differences	(659)
Balance at 31 December 2021	36,608

Note:

1. Restated for the initial accounting for the business combination of Decoded as required by IFRS 3. Details are disclosed in Note 4.

Notes to the consolidated financial statements continued

Lease liabilities	Total £000
Balance at 1 January 2020	26,762
Acquired through business combinations	846
Additions	4,897
Disposals	(756)
Payment of lease liabilities	(9,837)
Charge to the income statement	969
Exchange rate differences	108
Balance at 31 December 2020	22,989
Non-current lease liabilities	15,942
Current lease liabilities	7,047
Balance at 31 December 2020	22,989
Restatement ²	5,971
Balance at 31 December 2020	28,960
Acquired through business combinations	6,354
Additions	15,953
Disposals	(74)
Payment of lease liabilities	(10,903)
Charge to the income statement	1,602
Exchange rate differences	76
Balance at 31 December 2021	41,968
Non-current lease liabilities	31,423
Current lease liabilities	10,545
Balance at 31 December 2021	41,968

Note:

2. Restated for the initial accounting for the business combination of Decoded as required by IFRS 3. £5.9m consists of non-current lease liabilities of £4.9m and current lease liabilities of £1m.

The lease liabilities and right of use assets mostly relate to rental contracts of offices.

20. Trade and other payables

	31 Dec 2021 £000	31 Dec 2020 £000
Non-current		
Other accruals	2,845	1,941
Total	2,845	1,941
	31 Dec 2021 £000	31 Dec 2020 Restated ¹ £000
Current		
Trade payables	204,985	127,344
Accruals	51,446	33,954
Deferred income ²	58,887	29,771
Other payables	8,741	–
Total	324,059	191,069

Notes:

1. Restated for the initial accounting for the business combinations of Decoded and Metric Theory as required by IFRS 3. Details are disclosed in Note 4.
2. The deferred income as at 31 December 2020 has been fully recognised in the results of 2021.

	31 Dec 2021 £000	31 Dec 2020 £000
Current tax liabilities		
Income taxes	6,550	5,874
Sales taxes	838	1,008
Wage taxes and social security contributions	10,112	5,598
Total	17,500	12,480

21. Equity

A. Share capital

The authorised share capital of S⁴Capital plc contains an unlimited number of Ordinary Shares having a nominal value of £0.25 per Ordinary Share. At the end of the reporting period, the issued and paid up share capital of S⁴Capital plc consisted of 555,307,572 (2020: 542,065,458) Ordinary Shares having a nominal value of £0.25 per Ordinary Share.

The changes in issued share capital, share premium, merger reserves and treasury shares of S⁴Capital plc (formerly Derriston Capital plc) is summarised in the consolidated statement of changes in equity on page 112.

28 September 2018 // S⁴Capital issued 1 B share at a price of 100 pence per share to Sir Martin Sorrell. Please see the Governance Report on page 61 for details.

12 March 2020 // S⁴Capital issued 10.4 million shares at a price of 186 pence per share in relation to the acquisition of Circus.

16 April 2020 // S⁴Capital issued 1.0 million shares at a price of 25 pence per share in relation of the acquisition of Circus.

24 April 2020 // S⁴Capital issued 1.0 million shares at a price of 148 pence per share in relation of the acquisition of Conversion works.

19 May 2020 // S⁴Capital issued 6.5 million shares at a price of 171 pence per share in relation of the acquisition of Firewood.

11 June 2020 // S⁴Capital issued 0.6 million shares at a price of 241 pence per share in relation of the acquisition of Progmedia.

21 June 2020 // S⁴Capital issued 0.2 million shares at a price of 369 pence per share in relation of the acquisition of BizTech Russia & Kazakhstan.

24 June 2020 // S⁴Capital issued 0.8 million shares at a price of 234 pence per share in relation of the acquisition of IMAgency.

Notes to the consolidated financial statements continued

17 July 2020 // S⁴Capital issued 1.1 million shares at a price of 200 pence per share in relation of the acquisition of Digodat.

16 July 2020 // S⁴Capital Group announced the placing of 36.8 million new Ordinary Shares at 315p, which represented a small premium to the then market price and raised approximately £113 million net proceeds, which has been used for further expansion, principally business combinations.

31 July 2020 // S⁴Capital issued 0.5 million shares at a price of 152 pence per share in relation of the acquisition of Datalicious.

3 September 2020 // S⁴Capital issued 0.5 million shares at a price of 344 pence per share in relation of the acquisition of Brightblue.

10 September 2020 // S⁴Capital issued 0.6 million shares at a price of 198 pence per share in relation of the acquisition of WhiteBalance.

29 September 2020 // S⁴Capital issued 1.0 million shares at a price of 377 pence per share in relation of the acquisition of Dare.Win

2 October 2020 // S⁴Capital issued 1.0 million shares at a price of 316 pence per share in relation of the acquisition of Lens 10.

3 November 2020 // S⁴Capital issued 0.6 million shares at a price of 389 pence per share in relation of the acquisition of Orca Pacific.

12 November 2020 // S⁴Capital issued 0.5 million shares at a price of 369 pence per share in relation of the acquisition of BizTech.

31 December 2020 // S⁴Capital issued 7.4 million shares at a price of 494 pence per share in relation of the acquisition of Metric Theory.

Employee stock options // During 2020 S⁴Capital issued 1.3 million shares regarding employee stock option plans.

13 January 2021 // S⁴Capital issued 0.5 million shares at a price of 536 pence per share in relation of the acquisition of TOMORROW.

22 January 2021 // S⁴Capital issued 0.7 million shares at a price of 512 pence per share in relation of the acquisition of STAUD.

16 April 2021 // S⁴Capital issued 0.7 million shares at a price of 580 pence per share in relation of the acquisition of WhiteBalance.

19 April 2021 // S⁴Capital issued 0.6 million shares at a price of 570 pence per share in relation of the acquisition of Digodat.

6 May 2021 // S⁴Capital issued 0.7 million shares at a price of 580 pence per share in relation of the acquisition of IMAgency.

10 May 2021 // S⁴Capital issued 3.1 million shares at a price of 566 pence per share in relation of the acquisition of Jam3.

30 July 2021 // S⁴Capital issued 0.2 million shares at a price of 694 pence per share in relation of the acquisition of Destined.

2 August 2021 // S⁴Capital issued 0.04 million shares at a price of 706 pence per share in relation of the acquisition of Digodat.

18 August 2021 // S⁴Capital issued 0.07 million shares at a price of 720 pence per share in relation of the acquisition of TOMORROW.

13 September 2021 // S⁴Capital issued 1.9 million shares at a price of 791 pence per share in relation of the acquisition of Cashmere.

21 September 2021 // S⁴Capital issued 1.6 million shares at a price of 804 pence per share in relation of the acquisition of Zemoga.

24 September 2021 // S⁴Capital issued 0.8 million shares at a price of 805 pence per share in relation of the acquisition of Jam3.

20 October 2021 // S⁴Capital issued 1.0 million shares at a price of 773 pence per share in relation of the acquisition of Brightblue.

19 November 2021 // S⁴Capital issued 0.09 million shares at a price of 642 pence per share in relation of the acquisition of Miyagi.

2 December 2021 // S⁴Capital issued 0.6 million shares at a price of 595 pence per share in relation of the acquisition of Orca Pacific.

7 December 2021 // S⁴Capital issued 0.6 million shares at a price of 689 pence per share in relation of the acquisition of Maverick.

6 January 2022 // S⁴Capital issued 0.2 million shares at a price of 539 pence per share in relation of the acquisition of Dare.Win.

January 2023 // S⁴Capital plans to issue 6.5 million shares at a price to be determined on the date of issue in relation to the acquisition of Decoded.

May 2023 // S⁴Capital plans to issue 3 million shares at a price to be determined on the date of issue in relation to the acquisition of Raccoon.

June 2023 // S⁴Capital plans to issue 2.8 million shares at a price to be determined on the date of issue in relation to the acquisition of Decoded.

September 2023 // S⁴Capital plans to issue 0.8 million shares at a price to be determined on the date of issue in relation to the acquisition of Cashmere.

September 2023 // S⁴Capital plans to issue 0.7 million shares at a price to be determined on the date of issue in relation to the acquisition of Zemoga.

The share premium is net of costs directly relating to the issuance of shares. In accordance with section 612 of the Companies Act 2006, merger relief has been applied on share for share exchanges. No share issuances in the current or prior period qualified for merger relief.

B. Reserves

The following describes the nature and purpose of each reserve within equity:

Share premium	Amount subscribed for share capital in excess of nominal value less transaction costs (cash).
Merger reserves by merger relief	Amount subscribed for share capital in excess of nominal value less transaction costs as required by merger relief (shares).
Other reserves	Other reserves include treasury shares issued in the name of S ⁴ Capital plc to an employee benefit trust, EBT pool C, MightyHive and the deferred consideration of Decoded, Raccoon, Cashmere and Zemoga.
Foreign exchange reserves	Legal reserve for foreign exchange translation gains and losses on the translation of the financial statements of a subsidiary from the functional to the presentation currency.
Accumulated losses	Accumulated losses represents the net loss for the year and all other net gains and losses and transactions with shareowners (example dividends) not recognised elsewhere.

C. Non-controlling interest

On 24 May 2018, non-controlling interests arose as a result of the issuance of 4,000 A2 Incentive Shares by S⁴Capital 2 Ltd subscribed at fair value for £0.1 million and paid in full.

The incentive shares provide a financial reward to executives of S⁴Capital Group for delivering shareowner value, conditional on achieving a preferred rate of return. The incentive shares entitle the holders, subject to certain performance conditions and leaver provisions, up to 15%, of the growth in value of S⁴Capital 2 Ltd provided that certain performance conditions have been met. Full disclosure of these shares is contained within the Remuneration Report on page 65.

Notes to the consolidated financial statements continued

22. Share-based payments

As at 31 December 2021, a total number of 9,897,066 (31 December 2020: 14,490,167) shares are held by the Equity Benefit Trust (EBT). The EBT will be used for future option schemes and bonus shares for employees.

Awards movement during the reporting period	Employee Share Ownership Plan £000	Restricted stock units £000	All-employee incentive plan £000	A1 incentive share options £000	Total £000
Outstanding at 1 January 2020	6,570	10,999	874	2	18,445
Granted	4,580	314	27	–	4,921
Vested	(345)	(2,577)	(53)	–	(2,975)
Lapsed	(188)	(594)	(46)	–	(828)
Outstanding at 31 December 2020	10,617	8,142	802	2	19,563
Granted	3,124	–	–	–	3,124
Vested	(260)	(4,115)	(218)	–	(4,593)
Lapsed	(996)	(250)	(6)	–	(1,252)
Outstanding at 31 December 2021	12,485	3,777	578	2	16,842
Exercisable at 31 December 2021	565	2,844	578	2	3,989
Within 1 year	2,480	865	–	–	3,345
1-2 years	3,126	54	–	–	3,180
2-5 years	5,714	14	–	–	5,728
More than 5 years	600	–	–	–	600
Outstanding at 31 December 2021	12,485	3,777	578	2	16,842

Employee Share Ownership Plan (ESOP) - previously known as Discretionary Share Option Plan (DSOP)

In 2020, the S⁴Capital Group Board approved employee option schemes for key employees of 4,579,832 options over S⁴Capital Ordinary Shares with an average exercise price of nil pence and a maximum term of six years. During 2021 an additional 3,124,241 options has been approved by the Board with an exercise price in the range between nil and £8.04 and a maximum term of six years. In accordance with IFRS 2, the Group recognises share-based payment charges from the date of granting the option plans until the vesting of the option plans. Vesting of the options are subject to S⁴Capital Group achieving year on year business performance targets and options holders achieving personnel performance targets with continued employment. During 2021, 260,446 (2020: 344,616) options were exercised. During 2021 a total charge of £5.9 million (2020: £3.4 million) is recognised in relation to the ESOP and DSOP.

Restricted Stock Units (RSUs)

In December 2018, the S⁴Capital Group Board approved an employee option scheme of 8,952,610 RSUs over S⁴Capital ordinary shares. During 2019 another 3,404,458 RSUs were approved with an average exercise price of nil pence and a maximum term of four years. During 2020 another 313,594 RSUs were approved with an average exercise price of nil pence and a maximum term of four years. In accordance with IFRS 2, the Group recognises a share-based payment charge from grant date until vesting date in relation to this option plan. Vesting of the RSUs are subject to continued employment. During the reporting period a total of 4,114,655 shares (2020: 2,577,833) were exercised by employees with an average exercise price of nil pence.

During 2021 a total charge of £0.8 million (2020: £1.4 million) is recognised in relation to the RSU plan.

All-employee incentive plan

In 2019, the S⁴Capital Group Board approved an employee option scheme of 873,500 options, with an average exercise price of nil pence, over S⁴Capital Ordinary Shares for all employees employed by the S⁴Capital Group at 30 November 2018. Based on the number of years of service at MediaMonks Group all employees received a set amount of options over S⁴Capital Ordinary Shares. In accordance with IFRS 2, the Group recognises a share-based payment charge from January 2019 until vesting date in relation to this option plan. Vesting of the options are subject to continued employment.

During 2021, nil costs (2020: £0.4 million) were recognised in relation to the all-employee incentive plan.

A1 Incentive Share options

In 2019, the S⁴Capital Group Board approved 2,000 options over A1 incentive shares in S⁴Capital 2 Ltd to executives. In accordance with IFRS 2, the Group recognises share-based payment charges from the date of granting the option plans till the moment of vesting of the option plans. During 2021 a total charge of £7.1 million (2020: £7.1 million) is recognised in relation to the A1 Incentive Share options. Full disclosure of these options is contained within the Remuneration Report on page 71.

Valuation methodology

For all of these schemes, the valuation methodology is based upon fair value on grant date, which is determined by the market price on that date or the application of a Black-Scholes model, depending upon the characteristics of the scheme concerned. The assumptions underlying the Black-Scholes model are detailed below. Market price on any given day is obtained from external, publicly available sources.

During 2021, 948,525 granted options in the DSOP and ESOP plans have an exercise price in the range between £1.80 and £8.04. The weighted average fair value of options granted in the year calculated using the Black-Scholes model was as follows:

	2021
Weighted average of fair value of options	£2.25
Weighted average assumptions	
Risk free rate	0.03%
Expected life (years)	4.0
Expected volatility	50%
Dividend yield	n/a

Expected life is based on a review of historical exercise behaviour. Expected volatility is sourced from external market data and represents the historical volatility of share prices of comparable company datasets over a period equivalent to the expected option life.

The options were exercised on a regular basis during the period; the average share price in 2021 was £6.20 (2020: £2.99).

The range of exercise prices of the share options outstanding as at 31 December 2021 outstanding and the weighted average remaining contractual life were as follows:

	Number of options	Exercise price	Remaining contractual life
Share options outstanding	13,938,589	£0.00	2022-2027
Share options outstanding	2,125,680	£1.42	2025
Share options outstanding	130,000	£1.80	2027
Share options outstanding	482,686	£4.88	2022-2024
Share options outstanding	36,356	£5.54	2024
Share options outstanding	90,585	£6.05	2024
Share options outstanding	38,509	£8.04	2024
Total share options outstanding	16,842,405		

Notes to the consolidated financial statements continued

23. Cashflow from operations

The following table shows the items included in the cash flows from operations.

	Notes	£000	2021 £000	£000	2020 £000
Cash flows from operating activities					
(Loss)/profit before income tax			(55,650)		3,096
Financial income and expenses	8		12,251		5,038
Depreciation and amortisation			56,456		37,015
Share-based compensation	22		13,876		12,331
Acquisition and set-up related expenses	7	83,496		14,338	
Contingent consideration paid ¹	7	(9,985)		–	
			73,511		14,338
Loss on the net monetary position			1,344		–
Increase in trade and other receivables			(131,662)		(29,282)
Increase in trade and other payables			98,370		29,892
Cash flows from operations			68,496		72,428

Note:

1. Contingent consideration tied to employment is deemed remuneration expenses according to IFRS 3.

24. Dividends

Up to the date of approval of these financial statements and in 2021 and 2020 no dividends were paid or proposed by S⁴Capital plc to its shareowners.

25. Related party transactions

Compensation for key management personnel is made up as follows:

	2021 £000	2020 £000
Short-term employee benefits	1,548	1,547
Share-based payments	7,144	7,144
Total	8,692	8,691

Details of compensation for key management personnel are disclosed on pages 81 to 83.

S⁴Capital Group did not have any other related party transactions during the financial year (2020: nil).

26. Reconciliation to non-GAAP measures of performance

Management includes non-GAAP measures as they consider these measures to be both useful and necessary. They are used by management for internal performance analyses; the presentation of these measures facilitates comparability with other companies, although management's measures may not be calculated in the same way as similarly titled measures reported by other companies; and these measures are useful in connection with discussions with the investment community.

January to December 2021	Reported £000	Amortisation ¹ £000	Acquisition and set-up related expenses ² £000	Share-based compensation £000	Adjusted £000
Operating (loss)/profit	(42,055)	39,491	83,496	13,876	94,808
Net finance expenses	(13,595)	–	–	–	(13,595)
(Loss)/profit before income tax	(55,650)	39,491	83,496	13,876	81,213
Income tax expense	(1,065)	(6,941)	(1,426)	–	(9,432)
Loss)/profit for the year	(56,715)	32,550	82,070	13,876	71,781

Notes:

- Amortisation relates to the amortisation of the intangible assets recognised as a result of the acquisitions.
- Acquisition and set-up related expenses relate to acquisition-related advisory fees of £10.5 million, bonuses of £0.8 million, contingent consideration as remuneration of £70.5 million (out of which £10.0 million is cash) and remeasurement loss on contingent considerations of £1.7 million.

January to December 2020	Reported £000	Amortisation ¹ £000	Acquisition and set-up related expenses ² £000	Adjusted £000	Adjusted £000
Operating profit	8,133	23,148	14,338	12,331	57,950
Net finance expenses	(5,037)	–	–	–	(5,037)
Profit before income tax	3,096	23,148	14,338	12,331	52,913
Income tax expense	(7,025)	(5,758)	(1,238)	–	(14,021)
(Loss)/profit for the year	(3,929)	17,390	13,100	12,331	38,892

Notes:

- Amortisation relates to the amortisation of the intangible assets recognised as a result of the acquisitions.
- Acquisition and set-up related expenses relate to acquisition-related bonuses of £2.2 million, transaction related advisory fees of £13.6 million and a remeasurement gain for contingent consideration of £1.5 million.

Reconciliation to adjusted operational EBITDA	2021 £000	2020 £000
Operating (loss)/profit	(42,055)	8,133
Amortisation of intangible assets	39,491	23,148
Acquisition and set-up related expenses	83,496	14,338
Share-based compensation	13,876	12,331
Depreciation of property, plant and equipment ¹	6,179	4,228
Adjusted operating EBITDA	100,987	62,178

Note:

- Depreciation of property, plant and equipment is exclusive of depreciation on right-of-use assets.

Billings	2021 £000	2020 £000
Revenue	686,601	342,687
Pass-through expenses	610,249	307,667
Billings¹	1,296,850	650,354

Note:

- Billings is gross billings to clients including pass-through expenses.

Notes to the consolidated financial statements continued

Adjusted basic net result per share	2021	2020
Weighted average number of shares in issue	551,752,618	493,290,974
Adjusted net result attributable to equity of owners of the Company (£000)	71,781	38,892
Adjusted basic net result per share (pence)	13.0	7.9
Adjusted operating EBITDA	100,987	62,178

27. Unrecognised items

A. Capital commitments

Capital commitments represents capital expenditure contracted for at the end of the reporting period but not yet incurred at the period end. At 31 December 2021, S⁴Capital Group has no capital commitments outstanding (2020: nil).

28. Events occurring after the reporting period

A. Business combinations

For all combinations announced in 2021 the purchase price allocation is preliminary. Assets acquired and liabilities assumed were recorded in 2021 at estimated fair values based on management's estimates, available information, and supportable assumptions that management considered reasonable. The Company is in the process of finalising all purchase accounting adjustments related to its newly announced combinations.

On 12 January 2022, S⁴Capital plc announced that 4 Mile Analytics, a California-based full-service data consultancy specializing in custom data experience powered by the Looker platform, combined with Media.Monks, for a total estimated consideration of £27.2 million for 100% of equity and voting rights in 4 Mile Analytics. The combination significantly expands Media.Monks' capabilities of its Data&Digital Media practice. The combination augments its global analytics capabilities and expands its client base. 4 Mile Analytics is a leader in data analytics, data engineering, data governance, software engineering, UX design and project & product management.

Company balance sheet

At 31 December 2021

3

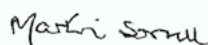
	Notes	2021 £000	2020 Restated ¹ £000
Assets			
Fixed assets			
Investments	1	905,008	752,337
		905,008	752,337
Current assets			
Trade and other receivables	2	3,703	1,978
Cash and cash equivalents	3	3,454	560
		7,157	2,538
Total assets		912,165	754,875
Liabilities			
Provision for liabilities			
		–	46
Current liabilities			
Trade and other payables	4	3,413	3,813
		3,413	3,813
Total liabilities		3,413	3,859
Net assets		908,752	751,016
Equity			
Share capital	5	138,827	135,516
Reserves		769,925	615,500
Total equity		908,752	751,016

Note:

1. Restated for the initial accounting for the business combination of Decoded as required by IFRS 3. Details are disclosed in Note F.

The Company reported a net profit for the financial year ended 31 December 2021 of £10.8 million (2020: £3.9 million loss). The accompanying notes on pages 163 to 166 form an integral part of the Company financial statements.

The financial statements on pages 161 to 166 were approved by the Board of Directors on 14 May 2022 and signed on its behalf by:



Sir Martin Sorrell
Executive Chairman



Mary Basterfield
Group Chief Financial Officer

Company's registered number: 10476913

Company statement of changes in equity

Equity	Number of shares	Share capital £000	Share premium £000	Merger reserves £000	Other reserves £000	Retained earnings £000	Total £000
Balance at 1 January 2020	469,227,259	117,307	174,302	205,717	(1,160)	7,274	503,440
Loss for the year	-	-	-	-	-	(2,924)	(2,924)
Total comprehensive loss	-	-	-	-	-	(2,924)	(2,924)
Transactions with owners of the Company							
Issue of Ordinary Shares	36,766,642	9,192	103,995	-	-	-	113,187
Business combinations	34,744,022	8,686	84,564	-	28,655	-	121,905
Employee share schemes	1,327,535	331	1,334	-	(454)	11,963	13,174
Balance as previously reported	542,065,458	135,516	364,195	205,717	27,041	16,313	748,782
Restatement¹	-	-	-	-	2,234	-	2,234
Balance at 31 December 2020	542,065,458	135,516	364,195	205,717	29,275	16,313	751,016
Profit for the year	-	-	-	-	-	10,835	10,835
Total comprehensive loss	-	-	-	-	-	10,835	10,835
Transactions with owners of the Company							
Issue of Ordinary Shares	-	-	-	-	-	-	-
Business combinations	13,242,114	3,311	82,715	-	45,856	-	131,882
Employee share schemes	-	-	-	-	(110)	15,129	15,019
Balance at 31 December 2021	555,307,572	138,827	446,910	205,717	75,021	42,277	908,752

Note:

1. Restated for the initial accounting for the business combination of Decoded as required by IFRS 3. Details are disclosed in Note F.

The accompanying notes on pages 163 to 166 form an integral part of the Company financial statements.

A. General

The Company financial statements are part of the 2021 financial statements of S⁴Capital plc. S⁴Capital plc is a listed Company on the London Stock Exchange and has its registered office at 12 St James's Place, London SW1A 1NX, United Kingdom. S⁴Capital plc (the 'Company') is a holding company for investments active in the digital advertising and marketing services space.

B. Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and The Companies Act 2006 as applicable to companies using FRS 101. In preparing these financial statements, the Company applied the recognition, measurement and disclosure requirements of UK-adopted International Accounting Standards and with the Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- Statement of cash flows and related Notes;
- disclosures in respect of transactions with wholly owned subsidiaries;
- disclosures in respect of capital management;
- the effects of new but not yet effective IFRSs; and
- disclosures in respect of the compensation of key management personnel.

As the Group financial statements (presented on pages 108 to 160) include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- IFRS 2 'Share-based Payment' in respect of Group settled share-based payments certain disclosures required by IFRS 13 'Fair Value Measurement' and the disclosures required by IFRS 7 'Financial Instrument Disclosures'.
- No individual profit and loss account is prepared as provided by section 408 of the Companies Act 2006.

C. UK-adopted international accounting standards

On 31 December 2020, IFRS as adopted by the European Union at that date was brought into UK law and became UK-adopted International Accounting Standards, with future changes being subject to endorsement by the UK Endorsement Board. S⁴Capital transitioned to UK-adopted International Accounting Standards in its company financial statements on 1 January 2021. This change constitutes a change in accounting framework. However, there is no impact on recognition, measurement or disclosure in the period reported as a result of the change in framework.

The financial statements of S⁴Capital plc have been prepared in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards.

D. New and amended standards and interpretations adopted by the Company

In financial year 2021, the following amendments to standards and interpretations became effective:

Interest Rate Benchmark Reform - phase 2

The amendments Interest Rate Benchmark Reform – phase 2 (amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) issued by the IASB were effective from 1 January 2021. The amendments provide relief on certain existing requirements in IFRS Standards, relating to modifications of financial instruments and lease contracts or hedging relationships triggered by a replacement of a benchmark interest rate in a contract with a new alternative benchmark rate, as a result of Interest Rate Benchmark Reform. There has been no material impact to the Company's financial statements as a result of the application of these amendments.

Covid-19 Related Rent Concessions beyond 30 June 2021

The amendment to IFRS 16, Covid-19-Related Rent Concessions beyond 30 June 2021 issued by the IASB was effective from 1 April 2021. It provides an extension to the period under which practical relief to lessees could be applied in accounting for rent concessions occurring as a direct consequence of covid-19, as introduced in the original amendment, Covid-19-Related Concessions (amendment to IFRS 16). There has been no material impact to the Company's financial statements as a result of the application of this amendment.

Notes to the company financial statements continued

IFRIC Agenda Decision on Accounting Treatment for Configuration and Customisation Costs in a Cloud Computing Arrangement

In April 2021, an IFRIC agenda decision was issued in relation to the accounting treatment for configuration and customisation costs in a cloud computing arrangement. This guidance clarified that in order for an intangible asset to be capitalised in relation to customisation and configuration costs in a software-as-a-service (SaaS) arrangement, it is necessary for there to be control of the underlying software asset or for there to be a separate intangible asset which meets the definition in IAS 38 Intangible Assets. There has been no material impact to the Company's financial statements as a result of the application of this interpretation.

E. New and amended standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2021 reporting periods and have not been early adopted by the company. None of these are expected to have a material impact on the company in the current or future reporting periods and on foreseeable future transactions.

F. Basis of accounting

The Company Financial Statements are prepared under the historical cost convention and on a going concern basis, in accordance with the Companies Act 2006.

The following paragraphs describe the main accounting policies, which have been applied consistently.

Estimates and judgments

The preparation of the Financial Statements in conformity with generally accepted accounting principles requires management to make estimates and judgments that affect the reported amounts of assets and liabilities at the date of the Financial Statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Foreign currencies

Profit and loss account items in foreign currencies are translated into GBP at average rates for the relevant accounting periods. Monetary assets and liabilities are translated at exchange rates prevailing at the date of the Company Balance Sheet. Exchange gains and losses on loans and on short-term foreign currency borrowings and deposits are included within net finance expense. Exchange differences on all other foreign currency transactions are recognised in operating profit.

Determining whether fixed asset investments are impaired requires judgment and estimation. The Directors periodically review fixed asset investments for possible impairment when events or changes in circumstances indicate, in management's judgment, that the carrying amount of an asset may not be recoverable. Such indicating events would include a significant planned restructuring, a major change in market conditions or technology and expectations of future operating losses or negative cash flows. When such impairment reviews are conducted, the Company will perform valuations based on cash flow forecasts, following the same valuation methodologies and assumptions as set out in the Group's annual goodwill reviews described in Note 11 to the consolidated financial statements.

Taxation

The current tax payable is based on taxable profit for the year. Taxable profit differs from reported profit because taxable profit excludes items that are either never taxable or tax deductible or items that are taxable or tax deductible in a different period. The Company's current tax assets and liabilities are calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the asset can be utilised. This requires judgments to be made in respect of the availability of future taxable income.

No deferred tax asset or liability is recognised in respect of temporary differences associated with investments in subsidiaries and branches where the Company is able to control the timing of reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

The Company's deferred tax assets and liabilities are calculated using tax rates that are expected to apply in the period when the liability is settled or the asset realised based on tax rates that have been enacted or substantively enacted by the reporting date.

Accruals for tax contingencies require management to make judgments of potential exposures in relation to tax audit issues. Tax benefits are not recognised unless the tax positions will probably be accepted by the authorities. This is based upon management's interpretation of applicable laws and regulations and the expectation of how the tax authority will resolve the matter. Once considered probable of not being accepted, management reviews each material tax benefit and reflects the effect of the uncertainty in determining the related taxable result.

Accruals for tax contingencies are measured using either the most likely amount or the expected value amount depending on which method the Company expects to better predict the resolution of the uncertainty.

Investments

Fixed asset investments, including investments in subsidiaries, are stated at cost and reviewed for impairment if there are indications that the carrying value may not be recoverable.

Share-based payments

The issuance by the Company to employees of its subsidiaries of a grant of awards over the Company's shares, represents additional capital contributions by the Company to its subsidiaries. An additional investment in subsidiaries results in a corresponding increase in shareowners' equity. The additional capital contribution is based on the fair value of the grant issued, allocated over the underlying grant's vesting period, less the market cost of shares charged to subsidiaries in settlement of such share awards.

Litigation

Through the normal course of business, the Group is involved in legal disputes the settlement of which may involve cost to the Company. Provision is made where an adverse outcome is probable and associated costs can be estimated reliably. In other cases, appropriate descriptions are included.

Dividends

Up to the date of approval of these financial statements and in 2021, 2020, no dividends were paid by S4Capital plc to its shareowners.

Employees

The Company had no employees during either year. Details of Directors' emoluments, which were paid by another Group company, are set out in the Directors' Remuneration Report on pages 71 to 91.

Restatements

The Group has restated its consolidated balance sheet as of 31 December 2020 for business combinations as disclosed in Note 4 of the Consolidated financial statements 2021. Restatements related to the business combination of Decoded have impacted the company balance sheet as of 31 December 2020 in the Company financial statements 2021 as follows:

Restatement Note	31 Dec 20 £000	Adjustment £000	31 Dec 2020 Restated £000
Investments in subsidiaries	750,103	2,234	752,337
Other reserves	27,041	2,234	29,275

1. Investments in subsidiaries

Investments in subsidiaries are stated at cost less, where appropriate, provisions for impairment.

	31 Dec 2021 £000	31 Dec 2020 Restated' £000
Balance as at the beginning of the year	752,337	503,236
Capital contributions	138,795	237,136
Share-based compensation	13,876	11,965
Balance as at the end of the year	905,008	752,337

Note:

1. Restated for the initial accounting for the business combination of Decoded as required by IFRS 3. Details are disclosed in Note F.

Notes to the company financial statements continued

The Company directly holds 100% ownership in S⁴Capital 2 Ltd. The Company indirectly holds effectively 100% of ordinary shares in the entities as disclosed in Note 14 of the consolidated financial statements. The investments in subsidiaries are assessed annually to determine if there is any indication that any of the investments might be impaired. At the end of the reporting period, there was no indication of impairment (2020: nil).

2. Trade and other receivables

	31 Dec 2021 £000	31 Dec 2020 £000
Value added tax	467	697
Corporate tax	774	669
Trade receivables	1,358	295
Other receivables and prepayments	1,104	317
Total	3,703	1,978

The loss allowance for receivables from subsidiaries is based on the three-stage impairment expected credit loss model. No material impairment arose.

3. Cash and cash equivalents

	31 Dec 2021 £000	31 Dec 2020 £000
Cash and cash equivalents	3,454	560
Total	3,454	560

4. Trade and other payables

	31 Dec 2021 £000	31 Dec 2020 £000
Trade payables	2,317	2,271
Other payables and accruals	1,096	1,542
Total	3,413	3,813

5. Equity

A. Share capital

The authorised share capital of S⁴Capital plc contain an unlimited number of Ordinary Shares having a nominal value of £0.25 per Ordinary Share. At the end of the reporting period, the issued and paid-up share capital of the Company consisted of 555,307,572 (2020: 542,065,458) Ordinary Shares having a nominal value of £0.25 per Ordinary Share.

B. Reserves

The following describes the nature and purpose of each reserve within equity:

- Share premium Amount subscribed for share capital in excess of nominal value.
The share premium is net of costs directly relating to the issuance of shares.
- Merger reserves Amount subscribed for share capital in excess of nominal value as required by merger relief.
- Other reserves Shares issued in the name of the Company to an employee benefit trust and shares issued in the name of S⁴Capital Group for deferred consideration.
- Retained losses Retained earnings represents the net profit (loss) for the year and all other net gains and losses and transactions with shareowners (example dividends) not recognised elsewhere.

6. Related party transactions

Details of compensation for key management personnel are disclosed on pages 71 to 91. The Company did not have any other related party transactions during the financial year (2020: nil).

7. Events occurring after the reporting period

Details of events occurring after the reporting period are disclosed in Note 28 of the consolidated financial statements.

Shareowner information

Advisers and registrars

Principal bankers	HSBC Bank Plc Credit Suisse AG, London Branch Barclays Bank plc
Joint brokers	Dowgate Capital Limited Morgan Stanley & Co Jefferies International Limited
Independent auditors	PricewaterhouseCoopers LLP
Financial advisers	BDO LLP
Lawyers	Travers Smith LLP Loeb and Loeb LLP
Communications adviser	Powerscourt Limited
Registrars	Share Registrars Limited 3 The Millennium Centre Crosby Way Farnham Surrey GU9 7XX 01252 821390 enquiries@shareregistrars.uk.com
Group Company Secretary	Theresa Dadun

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in association with Media.Monks www.mediamonks.com.

Printed sustainably in the UK by a CarbonNeutral® company with
FSC® chain of custody and an ISO 14001 certified environmental
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