
Mindshare A/S

Antonigade 4, 4, DK-1106 Copenhagen C

Annual Report for 1 January - 31 December 2016

CVR No 20 59 56 98

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
8 /6 2017

Lars Petersen
Chairman

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Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Mindshare A/S for the financial year 1 January - 31 December 2016.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements give a true and fair view of the financial position at 31 December 2016 of the Company and of the results of the Company operations for 2016.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Copenhagen, 31 May 2017

Executive Board

Martin Ove Rasmussen
Nordic CEO

Board of Directors

Jonas von Barnekow Hemmingsen
Chairman

Martin Ove Rasmussen

Jens Storkfelt

Independent Auditor's Report

To the Shareholder of Mindshare A/S

Opinion

We have audited the Financial Statements of Mindshare A/S for the financial year 1 January - 31 December 2016, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The Financial Statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2016 and of the results of the Company's operations for the financial year 1 January - 31 December 2016 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibilities for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines 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, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the Financial Statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Independent Auditor's Report

Auditor's responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark 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.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Independent Auditor's Report

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financials Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

Copenhagen, 31 May 2017

Deloitte

Statsautoriseret Revisionspartnerselskab

CVR No 33 96 35 56

Kim Takata Mücke
State Authorised Public Accountant

Morten Jarlbo
State Authorised Public Accountant

Company Information

The Company

Mindshare A/S
Antonigade 4, 4
DK-1106 Copenhagen C

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Fax: + 45 31733399
Website: www.mindshare.dk

CVR No: 20 59 56 98
Financial period: 1 January - 31 December
Municipality of reg. office: Copenhagen

Board of Directors

Jonas von Barnekow Hemmingsen, Chairman
Martin Ove Rasmussen
Jens Storkfelt

Executive Board

Martin Ove Rasmussen

Auditors

Deloitte
Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
DK-0900 Copenhagen C

Financial Highlights

Seen over a five-year period, the development of the Company is described by the following financial highlights:

	2016	2015	2014	2013	2012
	TDKK	TDKK	TDKK	TDKK	TDKK
Key figures					
Profit/loss					
Revenue	361.796	304.975	308.715	324.005	385.028
Gross profit/loss	30.124	28.399	25.777	27.667	31.426
Operating profit/loss	4.607	4.469	2.810	4.021	7.133
Net financials	(152)	(269)	11	12	68
Net profit/loss for the year	3.568	3.089	2.090	3.071	5.380
Balance sheet					
Balance sheet total	99.661	83.096	89.145	81.767	111.713
Equity	27.609	24.041	20.952	18.862	15.791
Ratios					
Gross margin	8,3 %	9,3 %	8,3 %	8,5 %	8,2 %
Net margin	1,0 %	1,0 %	0,7 %	0,9 %	1,4 %
Solvency ratio	27,7 %	28,9 %	23,5 %	23,1 %	14,1 %
Return on equity	13,8 %	13,7 %	10,5 %	17,7 %	28,3 %

The ratios have been prepared in accordance with the recommendations and guidelines issued by the Danish Society of Financial Analysts in 2015. For definitions, see under accounting policies.

Management's Review

Core activity

Mindshare is an integrated media and communications agency.

We take responsibility for the entire customer journey and cut through the digital complexity. We help clients turn changes in media, consumer behavior and technology into business opportunities, so they can move their business forward. Our philosophy is adaptive marketing, which is utilizing digital and data to adjust marketing real-time in order to increase both efficiency and effectiveness.

As an integrated agency, we cover most marketing disciplines under the same roof within the same organization. It saves time, increase speed and flexibility and enables more holistic solutions. Our clients can either pick from our marketing services buffet or select a fully integrated solution.

Our clients include many of the market's biggest, most demanding advertisers. Mindshare is a global enterprise employing over 7,000 people in 116 cities around the world. We are 100 pct. owned by WPP, the world's leading communications services group. Mindshare is also a member of GroupM, the largest media investment organization both in Denmark and worldwide. This gives us a level of purchasing power, digital, data & analysis services and expertise that no other company can match.

Management's Review

Business trends and activities

The modest ad market growth in 2015, following a period of recession, continued with a 1.6 pct. growth in 2016. However, there continue to be major developmental shifts across the different advertising media.

TV prices are inflated, and the market is close to 100 pct. sold out. Average daily viewing has decreased with 9 pct. in 2016 vs. 2015, heavily affected by increase in streaming and on-demand viewing. Mobile is now the type of device that Danes spend most time with, tripling spend. Programmatic trading continues to be a hot topic and increasing significantly – now estimated to account for more than 60 pct. of digital investments. Global digital platforms now account for around 40 pct. of time spent.

The structural changes are due to factors such as digitalization and the globalization of the media market, which have meant that the cost of reaching potential consumers has dropped by at least 50 per cent over the past 5-10 years. For that reason, more and more advertisers are using advanced analytics (statistic modelling, digital attribution, etc.) to increase the efficiency of their marketing investments. New media are more outcome based, which significantly reduces wastage, and advertisers are investing in building up their own media, withdrawing their funds from the paid media ecosystem (the advertising market). This does not mean that we are seeing a general reduction in marketing investments and activities – on the contrary. However, we are witnessing a large-scale shift away from traditional media channels towards digital media and clients' own media platforms.

Advertisers are increasingly looking to re-bundle their marketing efforts with fewer partners due to increasing complexity, need for speed and financial pressure. A new study of UK brands found that 62 pct. of advertisers are shifting toward stronger relationships with fewer suppliers. A major reason being that they need their agencies to be faster and nimbler. In Denmark 37 pct. of advertisers would prefer 1 single agency, where all disciplines are integrated, but only 11 pct. say they currently work this way.

For a number of years, the Mindshare management have focused on adapting the agency to meet the overall market trends and to secure a leading market position within an industry in upheaval.

This includes continually improving expertise and advisory services and embracing platforms not financed directly by advertising, including the clients' own channels. In addition, the focus on digital and data related marketing disciplines, in collaboration with GroupM, remains undiminished. Since the acquisition of a creative agency, Mindshare has also expanded its position as the only combined communications and media agency on the market. Most recently, a PR director was added to further expand the integrated offer.

Management's Review

Achievements and business results

A focused, substantial commitment to marketing for an integrated position has had a positive long-term effect. Mindshare has become one of the most well-known agency brands across all sectors (creative, digital, media) on the Danish market with a 72 pct. brand awareness and a 44 pct. consideration. Moreover, the agency is considered among the best to meet the challenges of the industry by the leading CMO's. Customer satisfaction levels are amongst the highest on the market. This is evident from both the official image survey and own satisfaction measurements, for which the internationally recognized Client Relationship Consultancy is used. We also see from the surveys that Mindshare clearly stands out from other media agencies as an innovative agency with excellent digital skills. Clients also stress to a greater degree than competitors' clients do that Mindshare is innovative, strategically and analytically strong and has good digital skills.

Mindshare in Denmark was awarded 'Office of the Year' by the EMEA management due to extraordinary performance during 2016. This included winning most new clients (26 new clients was added in 2016), being shortlisted and winning a significant number of both local and international awards (Danish Internet Awards, True Award, Advertising Effectiveness Awards, Rambuk, Creative Circle Award, Eurobest, Cristal and Epica Awards), receiving high favorability among employees (9 of 10 would recommend as a good place to work), implementing innovative solutions for clients as well as delivering above financial targets.

Despite improving the operating result more than 50 pct. in 2015, the agency managed to improve further in 2016. This result is a combination of a large number of new clients and projects, a significant contribution from the integrated strategy and effective cost control. Market share increased by 24 pct.

Statement of corporate social responsibility

Mindshare is an international company with a key focus on cooperation and community spirit. We have offices on all continents in both developed and emerging markets, which is why helping disadvantaged people in Denmark and around the world is a natural part of our company values.

We make a substantial donation at the start of the year to the annual 'Danmarksindsamlingen', which has a wide remit and involves a large number of Danish charity and aid organizations. In 2016, the Mindshare employees initiated an internal campaign to support the donation with a significant amount. We have chosen to support our client Plan Denmark's efforts on several fronts to help children in the world's poorest countries. Every department at Mindshare sponsors a child, and the annual Christmas gifts we give to our customers are donations to a specific Plan Denmark project.

Our pro-bono work for the new established Danish NGO Fair Welcome won several awards. It was awarded free space (59 spots) on the Euronews channel during '1 minute of responsibility' in Nov/Dec 2016 by Act Responsible. The campaign includes a browser plug-in that amends negative labelling words on visited webpages and has changed millions of words since launch.

Management's Review

Expertise

Mindshare is constantly striving to improve and build its expertise and to impart it to its clients and the market. We collaborate with institutions, teachers and consultants, opinion leaders and experts, and undertake our own research projects, which create further expertise.

One example is 'Reklameanalysen' ('the Advertising Survey'), which has been assessing Danes' attitudes towards advertising since 2005. The analysis has for many years documented the growing irritation with and declining awareness of Danes with traditional advertising, and forms the background for the agency's focus on reforming the industry. Mindshare is also behind the largest and most comprehensive brand survey in Denmark. Since 2002, the 3D analysis has measured more than 1,000 brands in over 70 different categories. The Danish Mindshare office is also participating in MindReader, the Mindshare network's global analysis of digital consumer trends, which in 2016 covered almost 50 markets in five continents, including the four largest Nordic countries.

Mindshare is thus well equipped with deeper insights into, and unique expertise on, consumers' attitudes and behavior towards brands, media and advertising.

We actively disseminate this unique knowledge via our own media and social platforms. The agency's professional blog had more than 20,000 readers over the course of the year and received a nomination as the best blog for the second year in a row. We also maintain a predominant presence on all the relevant social platforms as compared to competing agencies - we have the most likes and followers and the biggest audience engagement. In addition, Mindshare also organized, together with the other GroupM agencies, Denmark's new and ambitious technology conference NextM, which proved a great success with almost 1,000 participants. GroupM's dominating position is utilized to establish a new and comprehensive digital training program for the market under the title Digital Campus, with the group's renowned experts as tutors.

The agency's in-house staff are also a major source of valuable expertise. The company's employees are primarily seasoned professionals with broad experience and knowledge within the media, communications and analysis industries. A large proportion of our employees have more than 10 years of experience within their fields. Our new market position and our investments in additional human resources have brought us staff experienced in project management, communications planning, social media, creative strategy and delivery.

It is Mindshare's objective to develop and retain motivated, innovative and professionally competent employees. We provided a wide range of internal training programs during 2016, which were made available to the vast majority of our employees. Mindshare also continued to support the re-established industry-training course, Hybrid Agency Program. Each year one or more high-performers takes part in the internal global Momentum talent program.

Management's Review

Projected trends

The actual development in the initial months of 2017 reflects a continuation of last year's positive developments. The market continues to grow, albeit still modestly, while Mindshare continues to experience a rate of growth that is higher than the market rate in general. This is expected to continue for the rest of the year, because of acquiring new clients and the success of the new integrated strategy.

Subsequent events

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

Income Statement 1 January - 31 December

	Note	2016 DKK	2015 DKK
Revenue		361.796.308	304.974.814
Cost of sales		(308.723.644)	(253.745.768)
Other external expenses		<u>(22.948.284)</u>	<u>(22.830.408)</u>
Gross profit/loss		30.124.380	28.398.638
Staff expenses	1	<u>(25.517.344)</u>	<u>(23.929.685)</u>
Profit/loss before financial income and expenses		4.607.036	4.468.953
Financial income	2	261.729	28.468
Financial expenses	3	<u>(413.838)</u>	<u>(297.509)</u>
Profit/loss before tax		4.454.927	4.199.912
Tax on profit/loss for the year	4	<u>(886.767)</u>	<u>(1.111.040)</u>
Net profit/loss for the year		<u>3.568.160</u>	<u>3.088.872</u>

Distribution of profit

Proposed distribution of profit

Retained earnings	<u>3.568.160</u>	<u>3.088.872</u>
	<u>3.568.160</u>	<u>3.088.872</u>

Balance Sheet 31 December

Assets

	Note	2016 DKK	2015 DKK
Deposits		587.790	572.400
Fixed asset investments	5	587.790	572.400
Fixed assets		587.790	572.400
Trade receivables		37.290.986	49.415.601
Contract work in progress		69.499	240.896
Receivables from group enterprises		61.056.075	30.230.999
Other receivables		0	1.805.439
Deferred tax asset	6	65.572	348.554
Corporation tax		125.499	0
Prepayments	7	458.991	474.693
Receivables		99.066.622	82.516.182
Cash at bank and in hand		6.525	7.787
Currents assets		99.073.147	82.523.969
Assets		99.660.937	83.096.369

Balance Sheet 31 December

Liabilities and equity

	Note	2016 DKK	2015 DKK
Share capital		550.000	550.000
Retained earnings		27.058.872	23.490.712
Equity	8	27.608.872	24.040.712
Prepayments received from customers		6.188.938	8.995.475
Trade payables		47.336.240	38.223.929
Payables to group enterprises		6.039.623	1.000.790
Corporation tax		0	643.189
Other payables	9	12.487.264	10.192.274
Short-term debt		72.052.065	59.055.657
Debt		72.052.065	59.055.657
Liabilities and equity		99.660.937	83.096.369
Contingent assets, liabilities and other financial obligations	10		
Related parties	11		
Accounting Policies	12		

Statement of Changes in Equity

	Share capital	Retained earnings	Total
	DKK	DKK	DKK
Equity at 1 January	550.000	23.490.712	24.040.712
Net profit/loss for the year	0	3.568.160	3.568.160
Equity at 31 December	550.000	27.058.872	27.608.872

Notes to the Financial Statements

	2016 DKK	2015 DKK
1 Staff expenses		
Wages and salaries	23.780.341	22.508.032
Pensions	1.404.657	1.196.564
Other social security expenses	332.346	225.089
	25.517.344	23.929.685
Average number of employees	46	41
Remuneration to the Executive Board has not been disclosed in accordance with section 98 B(3) of the Danish Financial Statements Act.		
The Executive Board and senior officers at Mindshare A/S are included in the WPP Group's share option programme. The programme has been entered with WPP Plc. and Mindshare A/S is not impacted financially.		
2 Financial income		
Exchange adjustments	261.729	28.468
	261.729	28.468
3 Financial expenses		
Interest paid to group enterprises	32	769
Other financial expenses	189.163	185.286
Exchange adjustments, expenses	224.643	111.454
	413.838	297.509
4 Tax on profit/loss for the year		
Current tax for the year	1.018.501	1.111.040
Deferred tax for the year	27.819	0
Adjustment of tax concerning previous years	(414.716)	0
Adjustment of deferred tax concerning previous years	255.163	0
	886.767	1.111.040

Notes to the Financial Statements

5 Fixed asset investments

	Deposits DKK
Cost at 1 January	572.400
Disposals for the year	<u>15.390</u>
Cost at 31 December	<u>587.790</u>
Carrying amount at 31 December	<u>587.790</u>

6 Deferred tax asset

Property, plant and equipment	(65.572)	(348.554)
Transferred to deferred tax asset	<u>65.572</u>	<u>348.554</u>
	<u>0</u>	<u>0</u>

Deferred tax has been provided at 22% corresponding to the current tax rate.

Deferred tax asset

Calculated tax asset	<u>65.572</u>	<u>348.554</u>
Carrying amount	<u>65.572</u>	<u>348.554</u>

7 Prepayments

Prepayments comprise prepayments of various subscriptions, rent, water, heating and electricity, etc and total DKK 459 thousand (DKK 475 thousand in 2015).

8 Equity

The share capital consists of 5,500 shares of a nominal value of DKK 100. No shares carry any special rights.

Notes to the Financial Statements

	2016	2015
	DKK	DKK
9 Other payables		
Value added tax etc	1.170.119	0
Holiday pay obligation	2.705.636	2.362.256
Wages and salaries, personal income taxes, social security costs, etc.	2.017.398	1.304.998
Other debt	6.594.111	6.525.020
	12.487.264	10.192.274

Notes to the Financial Statements

	2016 DKK	2015 DKK
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10 Contingent assets, liabilities and other financial obligations

Contingent liabilities

Commitments under rental agreements or leases until expiry	1.049.484	1.349.468
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Mindshare A/S has provided a counter-guarantee of DKK 4,000 thousand for the Company's banker. The guarantee is provided towards the Security Fund of the Danish Association of Advertising and Relationship Agencies in order to compensate the companies' obligations in relation to owners of papers and magazines, and a specified group of Danish media owners, respectively.

The Company is part of a Danish joint taxation with WPP Holding Denmark A/S as the administration company. The Company is liable, pursuant to the rules of the Corporation Tax Act from the financial year 2013, for income taxes, etc. for the jointly taxed companies and from 1 July 2012 also for any obligations to withhold tax on interest, royalties and dividends for those companies.

11 Related parties

Basis

Controlling interest

WPP Holding Denmark A/S	Shareholder
-------------------------	-------------

Transactions

Transactions with related parties are conducted on market terms.

Consolidated Financial Statements

Name and registered office of the Parent preparing consolidated financial statements for the smallest and largest group:

Name	Place of registered office
WPP Plc.	27 Farm Street, W17 5RJ, London, England

Consolidated financial statements are available at www.wppinvestor.com

Notes to the Financial Statements

12 Accounting Policies

The Annual Report of Mindshare A/S for 2016 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2016 are presented in DKK.

Cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act and to the cash flow statement included in the consolidated financial statements of WPP Plc., the Company has not prepared a cash flow statement.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Recognition and measurement take into account predictable losses and risks occurring before the presentation of the Annual Report which confirm or invalidate affairs and conditions existing at the balance sheet date.

Leases

All leases are considered operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the lease term.

Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt

Notes to the Financial Statements

12 Accounting Policies (continued)

arose are recognised in financial income and expenses in the income statement.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

Income Statement

Revenue

Revenue from the sale of media and consultants fees recognised in the income statement when delivery is made to the buyer. Revenue is recognised net of VAT, duties and sales discounts.

Project assignments of longer duration are recognised concurrently with performing the work so that the revenue equals the sales value of the work performed in the financial year (percentage-of-completion method).

Cost of sales

Cost of sales comprises consumed use of media to achieve the revenue for the year. Cost of sales includes received discounts, etc.

Other external expenses

Other external expenses comprise expenses for premises, stationery and office supplies, marketing costs and services provided by group-related companies etc. This item also includes write-downs of receivables recognised in current assets.

Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses including social security contributions, pension contributions etc.

Financial income and expenses

Other financial income comprises interest income, including interest income on receivables from group enterprises, net foreign exchange gains, as well as tax relief under the Danish Tax Prepayment Scheme etc.

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net foreign exchange losses, as well as tax surcharge under the Danish Tax Prepayment Scheme etc.

Notes to the Financial Statements

12 Accounting Policies (continued)

Tax on profit/loss for the year

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

The Company is jointly taxed with the other WPP Companies in Denmark. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

Balance Sheet

Cash pool

The Company is part of a cash-pool scheme with other Danish WPP companies. Consequently, a considerable portion of the Company's bank deposits and debt is included in receivables from and payables to group enterprises, respectively.

Receivables

Receivables are recognised in the balance sheet at amortised cost, which substantially corresponds to nominal value. Provisions for estimated bad debts are made.

Contract work in progress

Contract work in progress regarding service is measured at selling price of the work performed calculated on the basis of the stage of completion. The stage of completion is measured by the proportion that the contract expenses incurred to date bear to the estimated total contract expenses. Where it is probable that total contract expenses will exceed total revenues from a contract, the expected loss is recognised as an expense in the income statement.

Where the selling price cannot be measured reliably, the selling price is measured at the lower of expenses incurred and net realisable value.

Payments received on account are set off against the selling price. The individual contracts are classified as receivables when the net selling price is positive and as liabilities when the net selling price is negative.

Expenses relating to sales work and the winning of contracts are recognised in the income statement as incurred.

Prepayments

Prepayments comprise prepaid expenses concerning incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Notes to the Financial Statements

12 Accounting Policies (continued)

Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

Financial debts

Debts are measured at amortised cost, substantially corresponding to nominal value.

Prepayments received from customers

Prepayments received from customers comprise amounts received from customers prior to delivery of the goods or service agreed.

Notes to the Financial Statements

12 Accounting Policies (continued)

Financial Highlights

Explanation of financial ratios

Gross margin

$$\frac{\text{Gross profit} \times 100}{\text{Revenue}}$$

Net margin

$$\frac{\text{Profit/loss for the year} \times 100}{\text{Revenue}}$$

Solvency ratio

$$\frac{\text{Equity at year end} \times 100}{\text{Total assets at year end}}$$

Return on equity

$$\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$$