
Mindshare A/S

Antonigade 4, 4, DK-1106 Copenhagen C

Annual Report for 1 January - 31 December 2017

CVR No 20 59 56 98

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
31/5 2018

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 2017.

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 2017 of the Company and of the results of the Company operations for 2017.

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 2018

Executive Board

Martin Ove Rasmussen
Nordic CEO

Board of Directors

Jonas von Barnekow Benzon
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 2017, 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 2017 and of the results of the Company's operations for the financial year 1 January - 31 December 2017 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.

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.

Independent Auditor's Report

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.

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.

Independent Auditor's Report

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 2018

Deloitte

Statsautoriseret Revisionspartnerselskab

CVR No 33 96 35 56

Kim Takata Mücke

State Authorised Public Accountant

mne10944

Company Information

The Company

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

Telephone: + 45 70227525
Facsimile: + 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 Benzons 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:

	2017 TDKK	2016 TDKK	2015 TDKK	2014 TDKK	2013 TDKK
Key figures					
Profit/loss					
Revenue	359.067	361.796	304.975	308.715	324.005
Gross profit/loss	35.081	30.124	28.399	25.777	27.667
Operating profit/loss	5.823	4.607	4.469	2.810	4.021
Net financials	-306	-152	-269	11	12
Net profit/loss for the year	4.288	3.568	3.089	2.090	3.071
Balance sheet					
Balance sheet total	104.316	99.661	83.096	89.145	81.767
Equity	31.897	27.609	24.041	20.952	18.862
Ratios					
Gross margin	9,8%	8,3%	9,3%	8,3%	8,5%
Net margin	0,0%	1,0%	1,0%	0,7%	0,9%
Solvency ratio	30,6%	27,7%	28,9%	23,5%	23,1%
Return on equity	14,4%	13,8%	13,7%	10,5%	17,7%

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 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 part of GroupM, the largest media investment organization both in Denmark and worldwide. This gives us a level of purchasing power, digital, data & analytics services and expertise that no other company can match.

Business trends and activities

The ad market increased with 1.9 pct. in 2017, almost unchanged vs. the increase in 2016 (+1.6 pct.). As we have seen the last years, budgets are moved from the traditional media groups to the more measurable digital media groups – especially dailies, weeklies and magazines are challenged (decrease up to -20 pct.). This structural development is expected to continue in the years to come.

The total digital spend increase through 2017 was very much driven by increase in web TV and video together with the possibilities in programmatic buying. Programmatic trading continues to be a hot topic and increasing – estimated +75 pct. of digital investments are programmatic. The opportunities in data centered and highly measurable strategies are outpacing campaign bursts, trading them with always-on activities, hence, increasing budgets. Global digital platforms (YouTube/Google and Facebook) accounts for most of the increase in digital budgets; challenging the Danish local medias.

Mobile usage has outpaced PC web usage, and the consumers are moving to mobile platforms way faster than the advertisers. Purchase via smartphone increased with 36 pct. in 2017.

Traditional television viewing has decreased significant through 2017 (7 pct. in adults 21-50 years) due to streaming services (NFLX, HBO etc.). The daily viewing is expected to decrease 5-7 pct. YOY from 2018 until the bottom level is reached. Viewing will move to other devices, and streaming services will continue to increase viewing (20-25 pct. of all TV viewing is non-traditional linear TV viewing today). Due to the decreasing viewing the market is close to sold out during the whole year – and prices are inflated.

As we have seen the last 1-2 years more advertisers are investing in building up their own media, withdrawing their funds from the paid media ecosystem (the advertising market) – and investing heavily in internal resources (staff: digital competences), systems (DMPs etc.).

Management's Review

The international and especially North American focus on transparency in digital media buying became a local topic in Denmark during 2017. Mindshare was proactive and outspoken on the matter and also dedicated a full section on its successful business blog to describe and clarify the complex issues (<http://blogmindshare.dk/kategori/tema/>).

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 40 pct. of advertisers would prefer a single agency, where all disciplines are integrated, compared to only 29 pct. in 2015.

For several 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. During 2017 the addition of PR services further expanded the integrated offer.

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 top 5 most well-known agency brands across all sectors (creative, digital, media) on the Danish market with a 76 pct. brand awareness and a 44 pct. consideration. The agency has a very high level of loyalty among its client portfolio. Clients who has been more than 10 years with the agency is increasing and now represents 35 pct. of the business. And far less of the agency's clients are scouting competitive suppliers than the rest of the market per the most recent image survey.

Mindshare continued the winning streak from previous years and collected many awards both locally and abroad. The year started with an internal award as the most successful Mindshare office in EMEA. It also became a year in which the agency focused on portraying women in the advertising industry with the 'Image_Hack' campaign for Dove. The campaign gained great honor and international attention during the year and received several awards: two EPICA Awards, a Gender Design Award in Cologne, Germany, and the Grand Prix at the Cristal Awards in Courchevel, France. And was also short listed at the Cannes Lions. The campaign was recognized by our holding company WPP as the best media work globally in 2017 in the WPPED Cream Awards. As a tribute to award winning and business critical work for clients, the agency launched a dedicated case website at the end of the year (<http://www.mindsharecases.dk/>).

The agency continues to deliver y-o-y growth. Gross Profit increased 16 pct. and the operating result improved more than 25 pct. This result is a combination of significant contribution from the new integrated strategy and increased efficiency in the legacy business.

Management's Review

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 many Danish charity and aid organizations. Last year the 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.

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 almost 100 different categories. The Danish Mindshare office also developed a unique consumer segmentation model called Milestones, which divides the population in different life stages. The Milestones segments are available in each of the Nordic markets across all planning-/insights tools both offline and online and can even be used in programmatic buying.

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. We also maintain a predominant presence on all the relevant social platforms as compared to competing agencies. 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 experienced professionals with broad knowledge within media, communications, research, and data business. 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, data analytics, business consulting, creative strategy and execution.

Management's Review

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 2017, 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. A new survey among students revealed that Mindshare is considered the second most attractive agency to work for.

Projected trends

The market continues to grow at a slow pace. Mindshare has experienced a rate of growth that is significantly higher than the market rate in general. Since 2014 Gross Profit has increased 40 pct. and profit has more than doubled. Heavy investments in data management, data analytics and data visualization as well as systems to further increase efficiency will put a strain on the business in 2018, so growth is expected to be modest.

Income Statement 1 January - 31 December

	Note	2017 DKK	2016 DKK
Revenue		359.066.582	361.796.308
Cost of sales		-301.150.375	-308.723.644
Other external expenses		-22.835.405	-22.948.284
Gross profit/loss		35.080.802	30.124.380
Staff expenses	2	-29.257.312	-25.517.344
Profit/loss before financial income and expenses		5.823.490	4.607.036
Financial income	3	63.345	261.729
Financial expenses	4	-369.573	-413.838
Profit/loss before tax		5.517.262	4.454.927
Tax on profit/loss for the year	5	-1.229.050	-886.767
Net profit/loss for the year		4.288.212	3.568.160

Balance Sheet 31 December

Assets

	Note	2017 DKK	2016 DKK
Deposits		594.883	587.790
Fixed asset investments	6	594.883	587.790
Fixed assets		594.883	587.790
Trade receivables		39.537.097	37.290.986
Contract work in progress		470.754	69.499
Receivables from group enterprises		61.823.117	61.056.075
Other receivables		1.327.281	0
Deferred tax asset	10	49.179	65.572
Corporation tax		14.321	125.499
Prepayments	7	492.955	458.991
Receivables		103.714.704	99.066.622
Cash at bank and in hand		6.339	6.525
Currents assets		103.721.043	99.073.147
Assets		104.315.926	99.660.937

Balance Sheet 31 December

Liabilities and equity

	Note	2017 DKK	2016 DKK
Share capital		550.000	550.000
Retained earnings		31.347.084	27.058.872
Equity	8	31.897.084	27.608.872
Prepayments received from customers		13.478.406	6.188.938
Trade payables		48.893.320	47.336.240
Payables to group enterprises		1.379.801	6.039.623
Other payables	11	8.667.315	12.487.264
Short-term debt		72.418.842	72.052.065
Debt		72.418.842	72.052.065
Liabilities and equity		104.315.926	99.660.937
Subsequent events	1		
Distribution of profit	9		
Contingent assets, liabilities and other financial obligations	12		
Related parties	13		
Accounting Policies	14		

Statement of Changes in Equity

	Share capital DKK	Retained earnings DKK	Total DKK
Equity at 1 January	550.000	27.058.872	27.608.872
Net profit/loss for the year	0	4.288.212	4.288.212
Equity at 31 December	550.000	31.347.084	31.897.084

Notes to the Financial Statements

1 Subsequent events

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

2 Staff expenses

	2017 DKK	2016 DKK
Wages and salaries	27.415.599	23.780.341
Pensions	1.536.918	1.404.657
Other social security expenses	304.795	332.346
	29.257.312	25.517.344
Average number of employees	50	46

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.

3 Financial income

Exchange adjustments	63.345	261.729
	63.345	261.729

4 Financial expenses

Interest paid to group enterprises	0	32
Other financial expenses	289.507	189.163
Exchange adjustments, expenses	80.066	224.643
	369.573	413.838

Notes to the Financial Statements

	2017 DKK	2016 DKK
5 Tax on profit/loss for the year		
Current tax for the year	1.212.657	1.018.501
Deferred tax for the year	16.393	27.819
Adjustment of tax concerning previous years	0	-414.716
Adjustment of deferred tax concerning previous years	0	255.163
	1.229.050	886.767

6 Fixed asset investments	Deposits DKK
Cost at 1 January	587.790
Additions for the year	7.093
Cost at 31 December	594.883
Carrying amount at 31 December	594.883

7 Prepayments

Prepayments comprise prepayments of various subscriptions, rent, water, heating and electricity, etc and total DKK 493 thousand (DKK 459 thousand in 2016).

8 Equity

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

9 Distribution of profit

Retained earnings	4.288.212	3.568.160
	4.288.212	3.568.160

Notes to the Financial Statements

	2017 DKK	2016 DKK
10 Deferred tax asset		
Deferred tax asset at 1 January	65.572	348.554
Amounts recognised in the income statement for the year	-16.393	-27.819
Adjustment of deferred tax concerning previous years	0	-255.163
Deferred tax asset at 31 December	49.179	65.572
Property, plant and equipment	-49.179	-65.572
Transferred to deferred tax asset	49.179	65.572
	0	0

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

Deferred tax asset

Calculated tax asset	49.179	65.572
Carrying amount	49.179	65.572

Tax on realisation of assets besides the amount provided in the Financial Statements

11 Other payables

Value added tax etc	0	1.170.119
Holiday pay obligation	2.954.308	2.705.636
Wages and salaries, personal income taxes, social security costs, etc.	1.983.161	2.017.398
Other debt	3.729.846	6.594.111
	8.667.315	12.487.264

Notes to the Financial Statements

	2017 DKK	2016 DKK
12 Contingent assets, liabilities and other financial obligations		

Contingent liabilities

Commitments under rental agreements or leases until expiry	897.207	1.049.484
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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 Company's 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.

13 Related parties

	<u>Basis</u>
Controlling interest	
WPP Holding Denmark A/S	Shareholder
Transactions	

Consolidated Financial Statements

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

<u>Name</u>	<u>Place of registered office</u>
WPP Plc.	27 Farm Street, W1J 5RJ, London, England

Consolidated financial statements are available at www.wpp.com

Notes to the Financial Statements

14 Accounting Policies

The Annual Report of Mindshare A/S for 2017 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 2017 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.

Notes to the Financial Statements

14 Accounting Policies (continued)

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 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 is 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.

Notes to the Financial Statements

14 Accounting Policies (continued)

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.

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

Fixed asset investments

Fixed asset investments consist of deposits.

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.

Notes to the Financial Statements

14 Accounting Policies (continued)

Contract work in progress

Contract work in progress is measured at the sales value of the work carried out at the balance sheet date.

The sales value is measured based on the stage of completion and the total estimated income from the individual contracts in progress. Usually, the stage of completion is determined as the ratio of actual to total budgeted consumption of resources.

For some projects where the consumption of resources cannot be applied as a basis, stage of completion is determined as the ratio between completed and total sub activities of the individual projects.

Each contract in progress is recognised in the balance sheet under receivables or liabilities, depending on whether the net value, calculated as the selling price less on account billings, is positive or negative.

Cost of securing 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.

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.

Notes to the Financial Statements

14 Accounting Policies (continued)

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.

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

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