
Mindshare A/S

Holmbladsgade 133, DK-2300 Copenhagen S

Annual Report for 1 January - 31 December 2021

CVR No 20 59 56 98

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
16/6 2022

Mikkel Baaring Lerche
Chairman of the General
Meeting

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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 2021.

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 2021 of the Company and of the results of the Company operations for 2021.

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, 16 June 2022

Executive Board

Martin Ove Rasmussen
CEO

Board of Directors

Jonas von Barnekow Benzon
Hemmingsen
Chairman

Martin Ove Rasmussen

Pia Tellefsen

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 2021, 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 2021 and of the results of the Company's operations for the financial year 1 January - 31 December 2021 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' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. 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, 16 June 2022

Deloitte

Statsautoriseret Revisionspartnerselskab

CVR No 33 96 35 56

Lars Hansen

State Authorised Public Accountant

mne24828

Company Information

The Company

Mindshare A/S
Holmbladsgade 133
DK-2300 Copenhagen S

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
Pia Tellefsen

Executive Board

Martin Ove Rasmussen

Auditors

Deloitte
Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
DK-2300 Copenhagen S

Financial Highlights

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

	2021 TDKK	2020 TDKK	2019 TDKK	2018 TDKK	2017 TDKK
Key figures					
Profit/loss					
Revenue	340.999	310.436	341.914	339.146	359.067
Gross profit/loss	45.283	36.113	35.143	32.360	35.081
Operating profit/loss	16.555	12.877	9.579	7.064	5.823
Net financials	-222	64	-78	-180	-306
Net profit/loss for the year	12.720	10.085	7.138	5.398	4.288
Balance sheet					
Balance sheet total	143.779	151.518	131.397	120.055	104.316
Equity	67.239	54.519	44.434	37.295	31.897
Investment in property, plant and equipment	12	151	0	0	0
Number of employees	37	32	37	41	50
Ratios					
Gross margin	13,3%	11,6%	10,3%	9,5%	9,8%
Solvency ratio	46,8%	36,0%	33,8%	31,1%	30,6%
Return on equity	20,9%	20,4%	17,5%	15,6%	14,4%

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

Management's Review

Core activity

Mindshare is a full-service marketing services agency.

We take responsibility for the entire customer journey and cut through the digital complexity. We help clients grow from turning changes in media, consumer behavior and technology into business opportunities.

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 10,000 people across 86 countries 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. We also represent one of the world's leading global public relations companies Hill+Knowlton Strategies in Denmark.

These relations give us a level of purchasing power, digital, data & analytics services and communication expertise that no other company can match.

Business trends and activities

The total net media spending (bought through media agencies) has increased with 15 pct. FY 2021 versus 2020. We have seen a huge recovery compared with 2020 COVID19 year – market is even up versus 2019 (+4 pct.).

Especially dailies and radio are losing market shares. Most other media groups have recovered significantly versus 2020 corona year. In the longer perspective television is still expected to lose market share, due to the decrease in viewing and therefore movement of budgets towards video. Outdoor is expected to increase market share due to the increasing digital spend, and introduction of programmatic DOOH (digital out of home) in the longer perspective.

Reading and circulation figures are expected to continue to decrease, however slower than compared with recent years (only lost 1 pct. in 2021), and it seems like reading has almost reached bottom level. Traditional television viewing has decreased in 2021. 5 pct. in A18+ and even more in younger target groups due to cable cutting and streaming services penetration (Netflix, Viaplay, HBO etc.). Within the digital media group especially video demand is increasing, and premium video inventory (from broadcasters) is sold out in many periods. Soon (most probably during 2022) we will also see commercials on some of the premium streaming services, e.g., Netflix. The new challenge in digital advertising is privacy regulation, and how data is tracked and used. Most known by the fact that the cookie will disappear. This will change the way digital should be bought and will have a huge impact in the future.

Management's Review

Advertisers are increasingly looking to re-bundle their marketing efforts with fewer partners due to increasing complexity, need for speed and financial pressure. In Denmark, most advertisers would now prefer a single agency, where all disciplines are integrated. And the share of companies who use one agency for all work has doubled since 2018. A major reason being that they need their agencies to be faster and nimbler. But also, because that they find a fully integrated agency delivers more value than using more agency partners. E.g., 8 out of 10 advertisers claim to get additional value through more holistic solutions using an integrated agency.

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 and expanding expertise and advisory services across all marketing disciplines. In addition, the focus on digital and data related marketing disciplines, in collaboration with GroupM, remains undiminished. Since the acquisition of a creative agency and later also adding PR services in 2018 via an official partnership with Hill+Knowlton Strategies, Mindshare has expanded its position as the only fully integrated communications and media agency on the market.

The integrated position was further strengthened in 2021 when a Mindshare branch was opened in Aarhus during March with a primary focus on strategy, creativity, and communication. The team in Aarhus has grown significantly working closely with almost 20 new clients. In May 2021 specialist unit Brandr was launched in Denmark. Brandr was originally established in Norway in 2018 and has a focus on data driven brand activation and strategic partnerships. The Danish team is working closely with their colleagues across the Nordics to deliver highly specialized consultancy services to several direct clients as well as existing clients across GroupM in Denmark.

Management's Review

Development in the year and profit/loss for the year in relation to expected developments: achievements and business results

The income statement of the Company for 2021 shows a profit after tax of DKK 12.719.944 and at 31 December 2021 the balance sheet of the Company shows equity of DKK 67.238.937.

The Company's revenue for the financial year 2021 was DKK 340.998.567, an increase of 10% from 2020 where the revenue amounted to DKK 310.435.745. The forecast for 2021 showed a low single digit organic growth rate. The Company's revenue for the financial year 2021 exceeded the expected revenue range from DKK 320.000.000 to DKK 335.000.000. As COVID defined 2020, the year 2021 was very much defined by our own initiatives. This difference was clearly reflected in our financial performance.

The expectation in result before tax was between DKK 9.000.000 and DKK 10.000.000.

We came out of 2020 with a record high result based on restraint in costs as well as increased revenue despite the major upheavals in the market. Our media revenue declined, but we managed to increase sales of other services to our customers due to our integrated set-up and diversification.

The situation was distinctly different in 2021. We increased our costs considerably, primarily in new hires because of our many investments. Media revenue rose again to a similar level as before COVID in 2019. At the same time, we further increased sales of other services. Overall, we improved on last year's great result by more than 25 pct. and reached another all-time high.

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 and pr) on the Danish market.

The agency continues to deliver y-o-y growth. The operating result improved more than 25 pct. for the fourth consecutive year. Profits have tripled since 2017. Gross margin increased 15 pct. and has increased y-o-y since 2018. According to Nøgletalsanalysen 2021 from Bureaubiz, which analyses the financial performance in 2020 of 369 agencies in Denmark, Mindshare was classified as a 'WinWin' agency with both a staff cost share and average salary above total average.

These positive results are a combination of long-time focus on efficiency in core processes, new business wins, the agency's integrated strategy and pronounced business diversification which once again has turned the year 2021 in to an all-time high.

Management's Review

Adding value for our clients

A long-term trend since 2017 of increasing client satisfaction was maintained during 2021. Average likelihood-to-recommend stayed at 8.7 (on a 0-10 scale) significantly above norm and ranking #4 globally in the global Mindshare network just behind Norway.

As an integrated agency Mindshare acquired almost 40 new clients across all marketing disciplines (pr, creative, digital, media) during 2021. The yearly published New Business Barometer from COMvergence also reported Mindshare as #5 on the Danish market in winning and retaining media accounts despite the global loss of Dyson after more than 10 years of partnership but emphasized by the retention of Unilever for the 5th time since 2005.

Almost 20 clients have been with Mindshare in more than 10 years and 5 clients have been with the agency for more than 20 years. This underlines the agency's balanced focus on client retention and client acquisition.

Good Growth

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.

Our global network re-launched its position in late 2021 formulated as 'Good Growth' which integrates sustainability into its operating model and deliveries based on 6 pillars covering among other things DE&I, Data Ethics, Responsible Journalism and Climate. The Danish organization has activated this new position by hiring a 'Good Growth Ambassador' to drive the sustainability agenda both internally and externally.

This complements an already high level of ambition on the CSR front: annual support for Danmarks Indsamling, Knæk Cancer, Team Rynkeby and the partnership with PlanBørnefonden, where Mindshare both have sponsor children and makes an annual donation to a project.

Apart from financial aid the agency each year donate its unique integrated expertise and resources to a pro-bono project to put an important cause on the public agenda: Fair Welcome, Don't label (2015), Dyrenes Beskyttelse, Burgris – Nej tak! (2016/2017), Dove Denmark, Image_Hack (2017), Constructive Institute, A Global Call for Responsible Journalism (2018/2019) and latest the NGO Think Equal (2020/2021). The agency is also part of global Mindshare Day each year on the 1st November, where the entire network of 10,000 employees work together on a brief based on the 17 UN sustainable development goals.

Management's Review

Expertise

Mindshare is constantly striving to improve and build its knowledge and expertise to the benefit for 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. 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.

The agency's staff are also a major source of valuable expertise. The company's employees are a unique combination of highly experienced professionals with broad knowledge within media, advertising, communications, research, digital and data and young aspiring talents. A dominant proportion of our employees have more than 10 years of experience within their fields. Together our top 15 professionals represent more than 300 years of marketing experience.

It is Mindshare's objective to develop and retain motivated, innovative, and professionally competent employees. An employee promise has been formulated as: a workplace where talents and the most experienced work side by side in an environment where it is allowed to have fun and where professional development and personal freedom have the highest priority. The ambition is to be recognized as the most attractive workplace in the industry. The latest survey on employee satisfaction in November 2021 showed an eNPS of 56 (referral rating score of 8.7 out of 10), which was the second highest score in the global Mindshare network.

Outlook - Projected trends

The on-going strong financial performance since 2015 has supported heavy investments in new areas to further develop Mindshare's full-service offering. Some areas have already matured to profit stage, while a few areas are moving from investment to break-even or beyond during in 2022.

The positive development in 2021 continues in 2022. First quarter sales exceed the same period last year by more than 15 pct., but the Ukraine war has led to new uncertainties for our outlook as inflation increases, supply chains are under pressure and consumer confidence decreases. We expect it may result in some of our clients decreasing marketing activity. The forecast for 2022 shows revenue at a cautious double-digit organic growth rate. Our expected revenue range from DKK 365.000.000 to DKK 375.000.000.

Income Statement 1 January - 31 December

	Note	2021 DKK	2020 DKK
Revenue		340.998.567	310.435.745
Cost of sales		-262.342.220	-239.317.855
Other external expenses		-33.373.159	-35.005.332
Gross profit/loss		45.283.188	36.112.558
Staff expenses	1	-28.696.245	-23.232.830
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		-31.797	-2.511
Profit/loss before financial income and expenses		16.555.146	12.877.217
Financial income	2	133.168	200.683
Financial expenses	3	-354.805	-137.045
Profit/loss before tax		16.333.509	12.940.855
Tax on profit/loss for the year	4	-3.613.565	-2.855.517
Net profit/loss for the year		12.719.944	10.085.338

Balance Sheet 31 December

Assets

	Note	2021 DKK	2020 DKK
Other fixtures and fittings, tools and equipment		127.891	148.156
Property, plant and equipment	5	127.891	148.156
Fixed assets		127.891	148.156
Trade receivables		56.130.180	56.662.602
Contract work in progress		9.651	8.260
Receivables from group enterprises		87.290.849	93.076.295
Other receivables		22.540	1.509.371
Deferred tax asset	9	0	31.801
Corporation tax		172.334	0
Prepayments	6	25.544	81.479
Receivables		143.651.098	151.369.808
Currents assets		143.651.098	151.369.808
Assets		143.778.989	151.517.964

Balance Sheet 31 December

Liabilities and equity

	Note	2021 DKK	2020 DKK
Share capital	7	550.000	550.000
Retained earnings		66.688.937	53.968.993
Equity		67.238.937	54.518.993
Provision for deferred tax	9	154.081	0
Provisions		154.081	0
Other payables		0	1.794.316
Long-term debt	10	0	1.794.316
Prepayments received from customers		16.428.513	13.748.138
Trade payables		51.206.954	71.923.988
Payables to group enterprises		837.064	0
Corporation tax		0	1.127.636
Other payables	10,11	7.913.440	8.404.893
Short-term debt		76.385.971	95.204.655
Debt		76.385.971	96.998.971
Liabilities and equity		143.778.989	151.517.964
Distribution of profit	8		
Contingent assets, liabilities and other financial obligations	12		
Related parties	13		
Accounting Policies	14		

Statement of Changes in Equity

	Share capital	Retained earnings	Total
	DKK	DKK	DKK
Equity at 1 January	550.000	53.968.993	54.518.993
Net profit/loss for the year	0	12.719.944	12.719.944
Equity at 31 December	550.000	66.688.937	67.238.937

Notes to the Financial Statements

	2021 DKK	2020 DKK
1 Staff expenses		
Wages and salaries	26.898.049	21.711.310
Pensions	1.555.757	1.290.886
Other social security expenses	242.439	230.634
	28.696.245	23.232.830

Average number of employees	37	32
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Remuneration to the Executive Board has not been disclosed in accordance with section 98 B(3) of the Danish Financial Statements Act. No remuneration has been paid to the Company's Board of Directors.

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

Interest received from group enterprises	110.295	102.534
Other financial income	0	21.743
Exchange adjustments	22.873	76.406
	133.168	200.683

3 Financial expenses

Other financial expenses	354.805	124.687
Exchange adjustments, expenses	0	12.358
	354.805	137.045

Notes to the Financial Statements

	2021 DKK	2020 DKK
4 Tax on profit/loss for the year		
Current tax for the year	3.427.683	2.859.655
Deferred tax for the year	185.882	-4.138
	3.613.565	2.855.517

5 Property, plant and equipment

	Other fixtures and fittings, tools and equipment DKK
Cost at 1 January	150.667
Additions for the year	11.532
Cost at 31 December	162.199
Impairment losses and depreciation at 1 January	2.511
Depreciation for the year	31.797
Impairment losses and depreciation at 31 December	34.308
Carrying amount at 31 December	127.891

6 Prepayments

Prepayments comprise prepayments of various subscriptions, rent, water, heating and electricity, etc.

7 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

	2021 DKK	2020 DKK
8 Distribution of profit		
Retained earnings	12.719.944	10.085.338
	12.719.944	10.085.338

9 Provision for deferred tax

Provision for deferred tax at 1 January	-31.801	-27.663
Amounts recognised in the income statement for the year	185.882	-4.138
Provision for deferred tax at 31 December	154.081	-31.801

10 Long-term debt

Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt.

The debt falls due for payment as specified below:

Other payables

Between 1 and 5 years	0	1.794.316
Long-term part	0	1.794.316
Other short-term payables	7.913.440	8.404.893
	7.913.440	10.199.209

11 Other payables

Holiday pay obligation	1.290.404	916.374
Wages and salaries, personal income taxes, social security costs, etc.	2.544.366	3.341.667
Other debt	4.078.670	4.146.852
	7.913.440	8.404.893

Notes to the Financial Statements

	2021 DKK	2020 DKK
12 Contingent assets, liabilities and other financial obligations		

Contingent liabilities

Commitments under rental agreements or leases until expiry	101.000	293.245
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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 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, for income taxes, etc. for the jointly taxed companies and also for any obligations to withhold tax on interest, royalties and dividends for those companies.

13 Related parties

Basis

Controlling interest

WPP Holding Denmark A/S	Shareholder
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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, 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 2021 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 2021 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.

Notes to the Financial Statements

14 Accounting Policies (continued)

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.

Income Statement

Revenue

Revenue from the sale of media and consultants fees recognised in the income statement when deliveries 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.

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of property, plant and equipment.

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

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Other fixtures and fittings, tools and equipment	5	years
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The fixed assets' residual values are determined at nil.

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.

Notes to the Financial Statements

14 Accounting Policies (continued)

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 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.

Notes to the Financial Statements

14 Accounting Policies (continued)

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. Surcharges 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 to be recognised as revenue in subsequent years.

Notes to the Financial Statements

14 Accounting Policies (continued)

Financial Highlights

Explanation of financial ratios

Gross margin

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

Solvency ratio

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

Return on equity

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