
Mindshare A/S

Holmbladsgade 133, DK-2300 Copenhagen S

Annual Report for 1 January - 31 December 2019

CVR No 20 59 56 98

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
29/5 2020

Alberte Kruse
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 2019.

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 2019 of the Company and of the results of the Company's operations for 2019.

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, 29 May 2020

Executive Board

Martin Ove Rasmussen
Nordic 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 2019, 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 2019 and of the results of the Company's operations for the financial year 1 January - 31 December 2019 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.

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,

Deloitte

Statsautoriseret Revisionspartnerselskab

CVR No 33 96 35 56

Kim Takata Mücke

State Authorised Public Accountant

mne10944

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:

	2019 TDKK	2018 TDKK	2017 TDKK	2016 TDKK	2015 TDKK
Key figures					
Profit/loss					
Revenue	341.914	339.146	359.067	361.796	304.975
Gross profit/loss	35.143	32.360	35.081	30.124	28.399
Operating profit/loss	9.579	7.064	5.823	4.607	4.469
Net financials	-78	-180	-306	-152	-269
Net profit/loss for the year	7.138	5.398	4.288	3.568	3.089
Balance sheet					
Balance sheet total	131.397	120.055	104.316	99.661	83.096
Equity	44.434	37.295	31.897	27.609	24.041
Ratios					
Gross margin	10,3%	9,5%	9,8%	8,3%	9,3%
Solvency ratio	33,8%	31,1%	30,6%	27,7%	28,9%
Return on equity	17,5%	15,6%	14,4%	13,8%	13,7%

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 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 9,000 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. This gives us a level of purchasing power, digital, data & analytics services and expertise that no other company can match.

Management's Review

Business trends and activities

The ad market decreased with 2.0 pct. in 2019. Especially print media groups continues to lose market shares. Out-of-home media and cinema are increasing market shares. All other media groups are quite stable (decreasing up to 2 pct.).

The growth of Out-of-home media is primarily driven by increase in digital panels. Readership and circulation figures are expected to continue to decrease, the bottom level has not yet been reached. Traditional television viewing has decreased significant in 2019 (down 11.4 pct. in the audience: persons 21-50) due to cable cutting and competition from streaming services (NFLX, HBO etc.). Discovery tv channels will not be a part of Yousee cable households in 2020, having a huge impact on the entire tv market; decreasing daily viewing even more and reducing Discovery share with appx. 50 pct. As such the whole traditional TV market industry is under structural changes and pressure.

We now also see a clear slowdown in online spending, decreasing with 2 pct. This structural development is expected to continue in the years to come. The total digital spend decrease is due to advertiser insourcing of digital buying. The total marked is increasing, however less vs. the last years, very much driven by increase in web TV and video together with the possibilities in programmatic buying. Classic online display buying (IO) is decreasing significant. Global digital platforms (Youtube, Google and Facebook) still accounts for most of the increase. The new challenge in digital advertising is privacy regulation (GDPR) and how data is tracked and used. Most known by the fact that the 3rd party cookie tracking will most likely disappear. This changes the way digital will be bought and will have a huge impact in 2020.

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

Management's Review

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 and later also adding PR services in 2018 via an official partnership with Hill and Knowlton Strategies, Mindshare has expanded its position as the only fully integrated communications and media agency on the market.

2019 was special in many ways. Mindshare turned 20 years on the Danish market in September. The anniversary was celebrated with a microsite and an advertorial in leading marketing magazine Markedsføring telling the chronological story: <https://mindsharehistorie.dk/>. In November the agency moved to a new renovated office space together with the rest of GroupM.

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. In the yearly image survey by MyResearch Mindshare is recognized as the most innovative agency on the market. Surveys place Mindshare in top 3 among agencies on both client satisfaction and loyalty. 90 pct. of clients are satisfied/very satisfied and net promotor scores increased once again to an all-time high in late 2019 (average score 8.4 on Likelihood-to-Recommend), which underlines the agency's balanced focus on client retention and client acquisition. Despite less focus on entering work for awards, the agency won a Creative Circle Award in May for its client Animal Protection Org and was recognized at Native Awards in November for Unilever.

The agency continues to deliver y-o-y growth. The operating result improved 35 pct. and net profit increased more than 30 pct. compared to 2018. Profits have more than doubled since 2015. This result is a combination of significant contribution from the new integrated strategy and further efficiency in the legacy business. Gross margin has slightly increased and relatively high. Gross profit/Net Sales per employee has increased 20 pct.

Adding value for our clients

Through consolidated buying within GroupM, Mindshare delivered offline savings of a value exceeding DKK 150 mill. across the Danish client portfolio. Once again, our client's digital investments showed growth. This year especially driven by a two-digit growth in Addressable TV, Programmatic Video and Youtube.

According to the 2019 image survey Mindshare clients rate the agency significantly higher on 'delivering business results' compared to other agency's clients.

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. We have chosen to support our client PlanBørnefonden'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 project. We also supported the 'Knæk Cancer' campaign by the Danish Cancer Society.

Apart from financial aid the agency each year donate its unique integrated expertise and resources to a pro-bono campaign 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) and latest Constructive Institute, A Global Call for Responsible Journalism (2018/2019). The agency is also part of global Mindshare Day each year on the 1st November, where the entire network of 9,000 employees work together on a brief based on the 17 UN sustainable development goals.

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. 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.

Management's Review

We actively disseminate this unique knowledge via our own media and social platforms. The agency's professional blog with weekly articles had almost 30,000 readers over the course of the year (more than 3,000 active users per month). We also maintain a predominant presence on all the relevant social platforms as compared to competing agencies. The second edition of our international reputable anti-conference HUDDLE for clients and partners took place. Again, a massive success with 250 participants and a staggering 98 pct. satisfaction. 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 2,000 participants.

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 dominant 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 communications planning, public relations, social media and influencer marketing, data analytics and visualization, business consulting, creative strategy and execution.

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 2019, which were made available to most 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.

Projected trends

A very positive first quarter of 2020 has been replaced by great uncertainty due to the global COVID-19 crisis, , see also subsequent events disclosures in note 1.

As part of GroupM, Mindshare has taken measures to protect its business as well as its employees from the consequences of the crisis. The management believes that together with these measures, its integrated strategy, pronounced business diversification and long-time focus on efficiency in core processes, will further improve the agency's competitive position going in to 2021.

Income Statement 1 January - 31 December

	Note	2019 DKK	2018 DKK
Revenue		341.914.314	339.146.185
Cost of sales		-274.207.717	-281.679.337
Other external expenses		-32.563.295	-25.106.918
Gross profit/loss		35.143.302	32.359.930
Staff expenses	2	-25.564.768	-25.295.938
Profit/loss before financial income and expenses		9.578.534	7.063.992
Financial income	3	640.983	55.483
Financial expenses	4	-718.797	-235.872
Profit/loss before tax		9.500.720	6.883.603
Tax on profit/loss for the year	5	-2.362.542	-1.485.210
Net profit/loss for the year		7.138.178	5.398.393

Balance Sheet 31 December

Assets

	Note	2019 DKK	2018 DKK
Deposits		0	602.196
Fixed asset investments		0	602.196
Fixed assets		0	602.196
Trade receivables		49.747.741	37.062.065
Contract work in progress		707.913	216.854
Receivables from group enterprises		78.869.832	80.881.985
Other receivables		2.002.750	803.917
Deferred tax asset	9	27.663	36.885
Prepayments	6	32.221	445.455
Receivables		131.388.120	119.447.161
Cash at bank and in hand		8.721	5.151
Currents assets		131.396.841	119.452.312
Assets		131.396.841	120.054.508

Balance Sheet 31 December

Liabilities and equity

	Note	2019 DKK	2018 DKK
Share capital		550.000	550.000
Retained earnings		43.883.655	36.745.477
Equity	7	44.433.655	37.295.477
Other payables		725.609	0
Long-term debt	10	725.609	0
Prepayments received from customers		14.094.748	19.817.081
Trade payables		57.406.994	47.630.627
Payables to group enterprises		7.294.948	6.486.969
Corporation tax		643.654	546.938
Other payables	10,11	6.797.233	8.277.416
Short-term debt		86.237.577	82.759.031
Debt		86.963.186	82.759.031
Liabilities and equity		131.396.841	120.054.508
Subsequent events	1		
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	36.745.477	37.295.477
Net profit/loss for the year	0	7.138.178	7.138.178
Equity at 31 December	550.000	43.883.655	44.433.655

Notes to the Financial Statements

1 Subsequent events

The implications of COVID-19 with many governments across the world deciding to "close down their countries" will have great impact on the global economy. Management considers the implications of COVID-19 a subsequent event occurred after the balance sheet date (31 December 2019), which is therefore a non-adjusting event to the Company. At this time, it is not possible to calculate the size of the negative COVID-19 impact..

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

	2019 DKK	2018 DKK
2 Staff expenses		
Wages and salaries	23.923.941	23.591.261
Pensions	1.452.765	1.433.364
Other social security expenses	188.062	271.313
	25.564.768	25.295.938
Average number of employees	37	41

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.

3 Financial income

Interest received from group enterprises	81.668	55.483
Exchange adjustments	559.315	0
	640.983	55.483

4 Financial expenses

Other financial expenses	170.859	156.143
Exchange adjustments, expenses	547.938	79.729
	718.797	235.872

Notes to the Financial Statements

	2019 DKK	2018 DKK
5 Tax on profit/loss for the year		
Current tax for the year	2.103.673	1.521.938
Deferred tax for the year	9.222	12.294
Adjustment of tax concerning previous years	249.647	-49.022
	<u>2.362.542</u>	<u>1.485.210</u>

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.

8 Distribution of profit

Retained earnings	7.138.178	5.398.393
	<u>7.138.178</u>	<u>5.398.393</u>

9 Deferred tax asset

Deferred tax asset at 1 January	36.885	49.179
Amounts recognised in the income statement for the year	-9.222	-12.294
Deferred tax asset at 31 December	<u>27.663</u>	<u>36.885</u>

Notes to the Financial Statements

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:

	2019 DKK	2018 DKK
Other payables		
Between 1 and 5 years	725.609	0
Long-term part	725.609	0
Other short-term payables	6.797.233	8.277.416
	7.522.842	8.277.416

11 Other payables

Holiday pay obligation	2.009.745	2.578.343
Wages and salaries, personal income taxes, social security costs, etc.	1.541.483	1.284.437
Other debt	3.246.005	4.414.636
	6.797.233	8.277.416

12 Contingent assets, liabilities and other financial obligations

Contingent liabilities

Commitments under rental agreements or leases until expiry	452.831	880.797
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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, 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.

Notes to the Financial Statements

13 Related parties

	<u>Basis</u>
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:

<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 2019 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 2019 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

14 Accounting Policies (continued)

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.

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.

Notes to the Financial Statements

14 Accounting Policies (continued)

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.

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.

Notes to the Financial Statements

14 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. 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.

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

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