

---

# ***Wavemaker A/S***

Kristen Bernikows Gade 1, 3., DK-1105 Copenhagen  
C

## **Annual Report for 1 January - 31 December 2018**

---

CVR No 21 83 64 00

The Annual Report was  
presented and adopted at  
the Annual General  
Meeting of the Company on  
31/5 2019

Lars Petersen  
Chairman of the General  
Meeting

# Contents

|  | <u>Page</u> |
|--|-------------|
| <b>Management's Statement and Auditor's Report</b> |             |
| Management's Statement                             | 1           |
| Independent Auditor's Report                       | 2           |
| <b>Management's Review</b>                         |             |
| Company Information                                | 5           |
| Financial Highlights                               | 6           |
| Management's Review                                | 7           |
| <b>Financial Statements</b>                        |             |
| Income Statement 1 January - 31 December           | 9           |
| Balance Sheet 31 December                          | 10          |
| Statement of Changes in Equity                     | 12          |
| Notes to the Financial Statements                  | 13          |

# **Management's Statement**

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Wavemaker A/S for the financial year 1 January - 31 December 2018.

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 2018 of the Company and of the results of the Company's operations for 2018.

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, 30 April 2019

## **Executive Board**

Kristian Bæk-Mikkelsen  
Executive Officer

## **Board of Directors**

Jonas von Barnekow Benzon  
Hemmingsen  
Chairman

Claus Dahl Andersen

Kristian Bæk-Mikkelsen

# Independent Auditor's Report

To the Shareholder of Wavemaker A/S

## Opinion

We have audited the Financial Statements of Wavemaker A/S for the financial year 1 January - 31 December 2018, 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 2018 and of the results of the Company's operations for the financial year 1 January - 31 December 2018 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, 30 April 2019

**Deloitte**

Statsautoriseret Revisionspartnerselskab

*CVR No 33 96 35 56*

Kim Takata Mücke

State Authorised Public Accountant

mne10944

## Company Information

### **The Company**

Wavemaker A/S  
Kristen Bernikows Gade 1, 3.  
DK-1105 Copenhagen C

CVR No: 21 83 64 00  
Financial period: 1 January - 31 December  
Municipality of reg. office: Copenhagen

### **Board of Directors**

Jonas von Barnekow Benzon Hemmingsen, Chairman  
Claus Dahl Andersen  
Kristian Bæk-Mikkelsen

### **Executive Board**

Kristian Bæk-Mikkelsen

### **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:

|                              | 2018<br>TDKK | 2017<br>TDKK | 2016<br>TDKK | 2015<br>TDKK | 2014<br>TDKK |
|------------------------------|--------------|--------------|--------------|--------------|--------------|
| <b>Key figures</b>           |              |              |              |              |              |
| <b>Profit/loss</b>           |              |              |              |              |              |
| Revenue                      | 628.913      | 632.677      | 641.641      | 491.700      | 452.964      |
| Gross profit/loss            | 50.837       | 47.696       | 48.647       | 32.237       | 32.972       |
| Operating profit/loss        | 8.658        | 724          | -1.315       | -1.267       | -1.083       |
| Net financials               | 303          | 334          | 1.352        | 1.590        | 480          |
| Net profit/loss for the year | 6.956        | 842          | -252         | 317          | -514         |
| <b>Balance sheet</b>         |              |              |              |              |              |
| Balance sheet total          | 129.118      | 125.137      | 124.255      | 90.101       | 109.020      |
| Equity                       | 40.265       | 33.309       | 32.462       | 28.234       | 20.867       |
| <b>Ratios</b>                |              |              |              |              |              |
| Solvency ratio               | 31,2%        | 26,6%        | 26,1%        | 31,3%        | 19,1%        |
| Return on equity             | 18,9%        | 2,6%         | -0,8%        | 1,3%         | -2,3%        |

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.

In connection with the merger in 2017, the comparative figures for 2014-2015 have not been restated.



# Management's Review

## Key activities

Wavemaker is a new type of media agency. We create strong and fully integrated solutions across media, content and technology. We exist to lead brands that pioneer the future, inspire society and move customers to action.

Bound together by our purchase journey obsession, we help clients translate audience insights and behaviors into smart decisions today for a prosperous tomorrow. Our promise is to create work that challenges what can be done with marketing and creates growth and transformation for our clients and thereby Wavemaker.

The Entity's core business areas are media, content and technology including specialist skills within business consulting & development, strategy & communications planning, data & tech planning, content development, negotiation, traffic handling, implementation and measurement of the return on media investments for advertisers and advertising agencies.

## Development in the year

The income statement of the Company for 2018 shows a profit of TDKK 6,956, and at 31 December 2018 the balance sheet of the Company shows equity of TDKK 40,265.

2018 was a year of integration for Wavemaker. We consolidated the businesses of Maxus and MEC into one best in class media agency. The transition has been executed successfully, retaining clients and talent, while achieving significant cost savings from the merger.

Our continued strategy and focus is to provide our clients with the best business consultancy while creating results through our media and marketing execution. Therefore, it was a significant achievement to win 5 out of 9 categories in the annual media agency survey – MyImage. Wavemaker was voted best in the market at creating results, understanding client's business, digital competencies, data and analytical competencies and collaborating with clients and other agencies.

In the process we grew our diversified marketing services, specifically content development, while maintaining our media excellence and power and continue our journey to make our company future ready.

2018's strong performance culminated with two major Nordic new business wins in the financial services and FMCG.

The financial performance is satisfactory and exceeds expectations.

# **Management's Review**

## **Particular risks**

### ***Business risks***

The Entity's main business risks relate to the business sector's investments in media and marketing activities. Consequently, the development of the Entity is dependent on the general financial climate for enterprises in Denmark.

## **Outlook**

2018's strong new business growth, placed Wavemaker Denmark at the very top of the global Wavemaker network's new business list.

We expect to continue this momentum in 2019, while harvesting benefits from diversified services and business optimization. Growth and pursuing new ventures within creativity through horizontal and vertical integration are the core tenants of our business strategy.

We expect strong financial performance in line with 2018, through continued focus on client centricity, new high margin business areas and partnerships and new clients.

## **Intellectual capital resources**

A substantial part of the Entity's business hinges on the existence of certain staff resources and tools, which have been further developed throughout the year, both in terms of value-based management and with respect to processes and structures for knowledge-based work.

## **Uncertainty relating to recognition and measurement**

Recognition and measurement in the Annual Report have not been subject to any uncertainty.

## Income Statement 1 January - 31 December

|  | Note | 2018<br>TDKK   | 2017<br>TDKK   |
|--|------|----------------|----------------|
| <b>Revenue</b>   |      | <b>628.913</b> | <b>632.677</b> |
| Cost of sales  |      | -532.919       | -535.698       |
| Other external expenses  |      | -45.157        | -49.283        |
| <b>Gross profit/loss</b>   |      | <b>50.837</b>  | <b>47.696</b>  |
| Staff expenses   | 2    | -41.972        | -46.871        |
| Depreciation, amortisation and impairment of property, plant and equipment | 3    | -207           | -101           |
| <b>Profit before financial income and expenses</b>                         |      | <b>8.658</b>   | <b>724</b>     |
| Financial income   | 4    | 548            | 765            |
| Financial expenses   | 5    | -245           | -431           |
| <b>Profit before tax</b>   |      | <b>8.961</b>   | <b>1.058</b>   |
| Tax on profit/loss for the year  | 6    | -2.005         | -216           |
| <b>Net profit/loss for the year</b>  |      | <b>6.956</b>   | <b>842</b>     |

# Balance Sheet 31 December

## Assets

|  | Note | 2018<br>TDKK   | 2017<br>TDKK   |
|--|------|----------------|----------------|
| Other fixtures and fittings, tools and equipment |      | 213            | 242            |
| Leasehold improvements                           |      | 127            | 92             |
| <b>Property, plant and equipment</b>             | 7    | <b>340</b>     | <b>334</b>     |
| Deposits   |      | 348            | 348            |
| <b>Fixed asset investments</b>                   | 8    | <b>348</b>     | <b>348</b>     |
| <b>Fixed assets</b>                              |      | <b>688</b>     | <b>682</b>     |
| Trade receivables                                |      | 104.157        | 85.423         |
| Contract work in progress                        | 9    | 217            | 143            |
| Receivables from group enterprises               |      | 21.978         | 33.459         |
| Other receivables                                |      | 1.701          | 3.813          |
| Deferred tax asset                               | 13   | 163            | 222            |
| Corporation tax                                  |      | 0              | 358            |
| Prepayments                                      | 10   | 203            | 735            |
| <b>Receivables</b>                               |      | <b>128.419</b> | <b>124.153</b> |
| <b>Cash at bank and in hand</b>                  |      | <b>11</b>      | <b>302</b>     |
| <b>Currents assets</b>                           |      | <b>128.430</b> | <b>124.455</b> |
| <b>Assets</b>                                    |      | <b>129.118</b> | <b>125.137</b> |

# Balance Sheet 31 December

## Liabilities and equity

|  | Note | 2018<br>TDKK   | 2017<br>TDKK   |
|--|------|----------------|----------------|
| Share capital  |      | 24.600         | 24.600         |
| Retained earnings  |      | 15.665         | 8.709          |
| <b>Equity</b>  | 11   | <b>40.265</b>  | <b>33.309</b>  |
| Prepayments received from customers                            |      | 5.268          | 2.429          |
| Trade payables   |      | 64.377         | 71.518         |
| Contract work in progress, liabilities                         | 9    | 9.272          | 5.397          |
| Payables to group enterprises                                  |      | 2.810          | 3.310          |
| Corporation tax  |      | 321            | 0              |
| Other payables   | 14   | 6.805          | 9.174          |
| <b>Short-term debt</b>   |      | <b>88.853</b>  | <b>91.828</b>  |
| <b>Debt</b>  |      | <b>88.853</b>  | <b>91.828</b>  |
| <b>Liabilities and equity</b>                                  |      | <b>129.118</b> | <b>125.137</b> |
| Subsequent events  | 1    |                |                |
| Distribution of profit   | 12   |                |                |
| Contingent assets, liabilities and other financial obligations | 15   |                |                |
| Related parties  | 16   |                |                |
| Accounting Policies  | 17   |                |                |

## Statement of Changes in Equity

|                              | Share capital | Retained earnings | Total         |
|------------------------------|---------------|-------------------|---------------|
|                              | TDKK          | TDKK              | TDKK          |
| Equity at 1 January          | 24.600        | 8.709             | 33.309        |
| Net profit/loss for the year | 0             | 6.956             | 6.956         |
| <b>Equity at 31 December</b> | <b>24.600</b> | <b>15.665</b>     | <b>40.265</b> |

# 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

|                                    | 2018<br>TDKK  | 2017<br>TDKK  |
|------------------------------------|---------------|---------------|
| Wages and salaries                 | 39.307        | 44.090        |
| Pensions                           | 2.081         | 2.200         |
| Other social security expenses     | 558           | 551           |
| Other staff expenses               | 26            | 30            |
|                                    | <b>41.972</b> | <b>46.871</b> |
| <b>Average number of employees</b> | <b>83</b>     | <b>89</b>     |

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 Wavemaker A/S are participating in the WPP Group's share option programmes. The programmes have been entered with WPP plc. and Wavemaker A/S is not impacted financially.

## 3 Depreciation, amortisation and impairment of property, plant and equipment

|   |            |            |
|---|------------|------------|
| Depreciation of property, plant and equipment | 207        | 101        |
|   | <b>207</b> | <b>101</b> |

## 4 Financial income

|  |            |            |
|--|------------|------------|
| Interest received from group enterprises | 7          | 0          |
| Other financial income                   | 371        | 498        |
| Exchange gains                           | 170        | 267        |
|  | <b>548</b> | <b>765</b> |

## 5 Financial expenses

|                                |            |            |
|--------------------------------|------------|------------|
| Other financial expenses       | 50         | 91         |
| Exchange adjustments, expenses | 195        | 340        |
|                                | <b>245</b> | <b>431</b> |

## Notes to the Financial Statements

|  | 2018<br>TDKK  | 2017<br>TDKK                      |
|--|---|-----------------------------------|
| <b>6 Tax on profit/loss for the year</b>               |   |                                   |
| Current tax for the year                               | 1.946   | 286                               |
| Deferred tax for the year                              | 59  | -20                               |
| Adjustment of deferred tax concerning previous years   | 0   | -50                               |
|  | <b>2.005</b>  | <b>216</b>                        |
| <b>7 Property, plant and equipment</b>                 |   |                                   |
|  | Other fixtures<br>and fittings,<br>tools and<br>equipment<br>TDKK | Leasehold<br>improvements<br>TDKK |
| Cost at 1 January                                      | 467   | 706                               |
| Additions for the year                                 | 35  | 178                               |
| Disposals for the year                                 | -180  | -515                              |
| Cost at 31 December                                    | 322   | 369                               |
| Impairment losses and depreciation at 1 January        | 225   | 614                               |
| Depreciation for the year                              | 64  | 143                               |
| Reversal of impairment and depreciation of sold assets | -180  | -515                              |
| Impairment losses and depreciation at 31 December      | 109   | 242                               |
| <b>Carrying amount at 31 December</b>                  | <b>213</b>  | <b>127</b>                        |



# Notes to the Financial Statements

## 8 Fixed asset investments

|                                       | Deposits<br>TDKK |
|---------------------------------------|------------------|
| Cost at 1 January                     | 348              |
| Cost at 31 December                   | 348              |
| <b>Carrying amount at 31 December</b> | <b>348</b>       |

## 9 Contract work in progress

|  | 2018<br>TDKK  | 2017<br>TDKK  |
|--|---------------|---------------|
| Selling price of work in progress              | 12.224        | 5.261         |
| Payments received on account                   | -21.279       | -10.515       |
|  | <b>-9.055</b> | <b>-5.254</b> |
| Recognised in the balance sheet as follows:    |               |               |
| Contract work in progress recognised in assets | 217           | 143           |
| Prepayments received recognised in debt        | -9.272        | -5.397        |
|  | <b>-9.055</b> | <b>-5.254</b> |

## 10 Prepayments

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

## 11 Equity

The share capital consists of 5 shares of a nominal value of TDKK 24,600. No shares carry any special rights.

The share capital is broken down as follow:

|                 | Number | Nominal value<br>TDKK |
|-----------------|--------|-----------------------|
| Ordinary Shares | 1      | 23.500                |
| Ordinary Shares | 2      | 1.000                 |
| Ordinary Shares | 2      | 100                   |
|                 |        | <b>24.600</b>         |

# Notes to the Financial Statements

|  | 2018<br>TDKK | 2017<br>TDKK |
|--|--------------|--------------|
| <b>12 Distribution of profit</b>                                       |              |              |
| Retained earnings  | 6.956        | 842          |
|  | <b>6.956</b> | <b>842</b>   |
| <b>13 Deferred tax asset</b>   |              |              |
| Deferred tax asset at 1 January  | 222          | 152          |
| Amounts recognised in the income statement for the year                | -59          | 20           |
| Amounts recognised in the income statement regarding previous years    | 0            | 50           |
| <b>Deferred tax asset at 31 December</b>                               | <b>163</b>   | <b>222</b>   |
| <b>14 Other payables</b>   |              |              |
| Wages and salaries, personal income taxes, social security costs, etc. | 557          | 1.888        |
| Holiday pay obligation   | 4.556        | 4.606        |
| Other debt   | 1.692        | 2.680        |
|  | <b>6.805</b> | <b>9.174</b> |

## 15 Contingent assets, liabilities and other financial obligations

### Contingent liabilities

|  |       |       |
|--|-------|-------|
| Commitments under rental agreements or leases until expiry | 1.563 | 1.070 |
|--|-------|-------|

The companies GroupM Denmark A/S and Wavemaker have provided a guarantee of DKK 14,500 thousand in favour of the Companies' banker. The guarantee is provided towards the Security Fund of the Danish Association of Advertising and Relationship Agencies in order to compensate the Companies' obligations in relation to owners of papers and magazines, and a specified group of Danish owners, respectively.

The Company participates in a Danish joint taxation arrangement in which WPP Holding Denmark A/S serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Company is therefore liable from the financial year 2013 for income taxes etc for the jointly taxed companies and from 1 July 2012 also for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed companies.

# Notes to the Financial Statements

## 16 Related parties

|                             | <u>Basis</u> |
|-----------------------------|--------------|
| <b>Controlling interest</b> |              |
| GroupM 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 |

The Group Annual Report of may be obtained at the following address: [www.wpp.com](http://www.wpp.com)

# Notes to the Financial Statements

## 17 Accounting Policies

The Annual Report of Wavemaker A/S for 2018 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 2018 are presented in TDKK.

### 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

## 17 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.

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 is recognised in the income statement when delivery is made to the buyer.

Consultancy services are included in revenue based on the stage of completion so that revenue corresponds to the sales value of the work performed in the financial year (the percentage-of-completion method).

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

### 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

## 17 Accounting Policies (continued)

### Depreciation and impairment losses

Depreciation and impairment losses relating to property, plant and equipment comprise depreciation and impairment losses for the financial year, calculated on the basis of the residual values and useful lives of the individual assets and impairment testing as well as gains and losses from the sale of property, plant and equipment.

### 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 |
| Leasehold improvements                           | 3-5 | years |

Depreciation period and residual value are reassessed annually.

# Notes to the Financial Statements

## 17 Accounting Policies (continued)

### **Impairment of fixed assets**

The carrying amounts of property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by depreciation.

If so, the asset is written down to its lower recoverable amount.

### **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

## 17 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.

## Financial Highlights

### Explanation of financial ratios

Solvency ratio

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

Return on equity

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