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# ***GroupM Denmark A/S***

Holmbladsgade 133, DK-2300 Copenhagen S

## **Annual Report for 1 January - 31 December 2021**

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CVR No 30 24 07 82

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 GroupM Denmark 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**

Jonas Von Barnekow Benzon  
Hemmingsen  
CEO

## **Board of Directors**

Pia Tellefsen  
Chairman

Jonas Von Barnekow Benzon  
Hemmingsen

Paw Daniel Munoz Saxgren

# Independent Auditor's Report

To the Shareholder of GroupM Denmark A/S

## Opinion

We have audited the Financial Statements of GroupM Denmark 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**

GroupM Denmark A/S  
Holmbladsgade 133  
DK-2300 Copenhagen S

CVR No: 30 24 07 82  
Financial period: 1 January - 31 December  
Municipality of reg. office: Copenhagen

### **Board of Directors**

Pia Tellefsen, Chairman  
Jonas Von Barnekow Benzons Hemmingsen  
Paw Daniel Munoz Saxgren

### **Executive Board**

Jonas Von Barnekow Benzons Hemmingsen

### **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
<b>Key figures</b>					
<b>Profit/loss</b>					
Revenue	1.029.673	687.884	727.273	711.751	597.301
Gross profit/loss	142.312	126.634	121.714	104.068	99.162
Operating profit/loss	2.048	3.116	1.486	3.770	2.953
Net financials	-301	434	-103	-270	-95
Net profit/loss for the year	1.195	2.757	1.050	2.714	2.253
<b>Balance sheet</b>					
Balance sheet total	236.259	189.343	168.455	155.312	177.086
Equity	26.084	20.629	17.872	16.822	14.108
Investment in property, plant and equipment	3.416	11.327	11.967	1.112	1.069
Number of employees	230	203	208	174	161
<b>Ratios</b>					
Gross margin	13,8%	18,4%	16,7%	14,6%	16,6%
Solvency ratio	11,0%	10,9%	10,6%	10,8%	8,0%
Return on equity	5,1%	14,3%	6,1%	17,5%	17,4%

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**

## **Key activities**

The primary activities are to provide services within administration, accounting and business development to companies within the Group.

GroupM Denmark A/S is part of the WPP Group.

## **Development in the year**

The income statement of the Company for 2021 shows a profit of TDKK 1,195, and at 31 December 2021 the balance sheet of the Company shows equity of TDKK 26,084.

The Company's revenue for the financial year 2021 was TDKK 1.029.673, an increase of 50% from 2020 where the revenue amounted to TDKK 687.884. The forecast for 2021 showed a single digit organic growth rate. The Company's revenue for the financial year 2021 was driven by a faster recovery than expected after the lower revenue in 2020 caused by Covid-19.

The financial performance is satisfactory and in line with expectations.

In August 2021, the Company purchased the 25% remaining shares in Intelligence Group ApS and became the sole owner of the acquired company. Intelligence Group ApS was further dissolved by absorption in GroupM Denmark A/S.

# Management's Review

## **Data Ethics**

The Company recognise the obligation for responsible collection, management, use and protection of data. We are transparent regarding our ethical decision-making process and educate our people on ethical data use. We share our approach with our stakeholders including share owners, clients, our own people, and vendors.

We work with many categories of data and uses the term data in its broadest sense. We include within this definition client data, consumer data and all information and data related to the operation of our business.

We take the confidentiality and safe handling of Client and Client consumer data for all our Clients very seriously. We work under a documented security and privacy policy distributed to all staff at the time of employment and communicated to all employees annually. This is supplemented by Information Security Awareness Training requiring all employees to comply with a code of business conduct prohibiting disclosure of Client confidential information.

As part of our governance, risk, and compliance program, it is essential to abide by the IT security policies, procedures and controls implemented and in operation to be effective and to ensure confidentiality, integrity and availability. We operate under WPP Data Privacy and Security Charter ("The Charter"). The Charter includes policies for data ethics, artificial intelligence and privacy and a bespoke standard set of controls (General Computing Controls (GCCs)) developed by WPP to be used on a global basis, derived from industry recognized standards and best practice including but not limited to ISO 27001, ITIL, COSO and COBIT and deemed appropriate for our industry. The controls include, but are not limited to, access management, physical security, server room access, network access security, malware prevention and monitoring, encryption, secure data backup & recovery, business continuity, secure data disposal, mobile device security, acceptable use, and awareness training. We represent our level of compliance with The Charter by performing self-assessments and participating in related audits in line with WPP's internal assurance program.

## ***Particular risks***

During 2021 the business was still highly impacted by Covid-19, however management steered the business in a manner to reduce significant impact on the result.

# Management's Review

## Outlook

The Company will continue the focus on investments to maintain its leading position in the data and technology driven communications market. The forecast for 2022 shows revenue at a mid-single-digit organic growth rate on top of a very strong performance in 2021. This is mainly due to several client wins and expected increased activity in the companies within the Group being reallocated back to GroupM Denmark A/S.

The 2022 expectations on financial performance are naturally subject to uncertainty and in particular in regard to the Ukraine war. Indeed, the Ukraine war has led to new uncertainties for our outlook as inflation increases and supply chains are under pressure. We also feel additional pressures on staff cost due to both the higher inflation and the shortage of available talent. Management thus, expects that the positive outlook on our revenue will be counterbalanced by increased costs. The length of these current additional pressures is uncertain and therefore, while the Company expects to reach a satisfactory result for the year 2022 in light of the economic uncertainties, profit before tax will lower than 2021 result and expected between TDKK -2.000 and TDKK 1.500.

## Intellectual capital resources

A substantial part of GroupM Denmark'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 the knowledge-based work.

# **Management's Review**

## **Statement of corporate social responsibility**

Being part of the global WPP Group we're privileged to work with many pioneers of sustainable business, helping our clients to create brands with purpose and to embed sustainability into products, marketing and communications.

A statement regarding the Entity's policies, actions and results within matters relating to CSR is evident from the annual report of the ultimate Parent, WPP Plc. who is a member of the United Nations Global Compact and committed to its 10 principles.

The WPP Group provides a clear policy framework which are included in the WPP Policy Book. These policies are cascaded to employees through regular communication and online training modules.

For full details we refer to the annual report of the ultimate Parent, WPP Plc.

<https://www.wpp.com/investors>

## **Statement on gender composition**

At 31 December 2021, the gender balance of the Entity showed a percentage of women of 53% and a percentage of men of 47%.

At 31 December 2021, the Executive Board is composed of 7 members out of which two are women (29%). The Board of Directors is composed of 3 directors out of which one is a woman (33%). It is the overall and long-term objective of the Entity to maintain an equal balance between the genders at management level, including to focus on attracting more women to the Entity in future and developing these women to join the management group. We expect to expand the management group to reach a target of 50% women.

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

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

## **Unusual events**

The financial position at 31 December 2021 of the Company and the results of the activities of the Company for the financial year for 2021 have not been affected by any unusual events.

## **Subsequent events**

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

## Income Statement 1 January - 31 December

	Note	2021 TDKK	2020 TDKK
<b>Revenue</b>		<b>1.029.673</b>	<b>687.884</b>
Cost of sales		-800.833	-505.266
Other external expenses		-86.528	-55.984
<b>Gross profit/loss</b>		<b>142.312</b>	<b>126.634</b>
Staff expenses	2	-135.136	-119.041
Depreciation of intangible assets and property, plant and equipment	3	-5.128	-4.477
Other operating expenses		-233	0
<b>Profit/loss before financial income and expenses</b>		<b>1.815</b>	<b>3.116</b>
Financial income	4	770	1.095
Financial expenses	5	-1.071	-661
<b>Profit/loss before tax</b>		<b>1.514</b>	<b>3.550</b>
Tax on profit/loss for the year	6	-319	-793
<b>Net profit/loss for the year</b>		<b>1.195</b>	<b>2.757</b>

# Balance Sheet 31 December

## Assets

	Note	2021 TDKK	2020 TDKK
Other fixtures and fittings, tools and equipment		9.836	9.849
Leasehold improvements		7.256	8.788
<b>Property, plant and equipment</b>	7	<b>17.092</b>	<b>18.637</b>
Investments in subsidiaries	8	106.668	106.668
Deposits	9	4.569	4.509
<b>Fixed asset investments</b>		<b>111.237</b>	<b>111.177</b>
<b>Fixed assets</b>		<b>128.329</b>	<b>129.814</b>
Trade receivables		26.391	21.684
Contract work in progress	10	14	224
Receivables from group enterprises		76.535	32.865
Other receivables		1.410	595
Deferred tax asset	14	0	367
Corporation tax		2.257	0
Prepayments	11	1.323	3.794
<b>Receivables</b>		<b>107.930</b>	<b>59.529</b>
<b>Currents assets</b>		<b>107.930</b>	<b>59.529</b>
<b>Assets</b>		<b>236.259</b>	<b>189.343</b>

# Balance Sheet 31 December

## Liabilities and equity

	Note	2021 TDKK	2020 TDKK
Share capital	12	510	500
Retained earnings		0	20.129
Proposed dividend for the year		25.574	0
<b>Equity</b>		<b>26.084</b>	<b>20.629</b>
Provision for deferred tax	14	24	0
<b>Provisions</b>		<b>24</b>	<b>0</b>
Other payables		0	10.489
<b>Long-term debt</b>	15	<b>0</b>	<b>10.489</b>
Prepayments received from customers		411	1.930
Trade payables		88.960	49.811
Contract work in progress, liabilities	10	14.144	8.641
Payables to group enterprises		65.583	62.060
Corporation tax		0	563
Other payables	15,16	41.053	35.220
<b>Short-term debt</b>		<b>210.151</b>	<b>158.225</b>
<b>Debt</b>		<b>210.151</b>	<b>168.714</b>
<b>Liabilities and equity</b>		<b>236.259</b>	<b>189.343</b>
Subsequent events	1		
Distribution of profit	13		
Contingent assets, liabilities and other financial obligations	17		
Related parties	18		
Fee to auditors appointed at the general meeting	19		
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## Statement of Changes in Equity

	Share capital TDKK	Retained earnings TDKK	Proposed dividend for the year TDKK	Total TDKK
<b>2021</b>				
Equity at 1 January	500	20.129	0	20.629
Net effect from merger and acquisition under the uniting of interests method	10	4.250	0	4.260
Adjusted equity at 1 January	510	24.379	0	24.889
Net profit/loss for the year	0	-24.379	25.574	1.195
<b>Equity at 31 December</b>	<b>510</b>	<b>0</b>	<b>25.574</b>	<b>26.084</b>
<b>2020</b>				
Equity 1. januar	500	17.372	0	17.872
Net profit/loss for the year	0	2.757	0	2.757
<b>Equity at 31 December</b>	<b>500</b>	<b>20.129</b>	<b>0</b>	<b>20.629</b>



# Notes to the Financial Statements

## 1 Subsequent events

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

## 2 Staff expenses

	2021 TDKK	2020 TDKK
Wages and salaries	125.966	111.063
Pensions	7.038	5.806
Other social security expenses	1.781	1.289
Other staff expenses	351	883
	<b>135.136</b>	<b>119.041</b>
<b>Average number of employees</b>	<b>230</b>	<b>203</b>

Referring to section 98b(3) of the Danish Financial Statements Act, information about the Executive Board remuneration is not disclosed. No remuneration has been paid to the Company's Board of Directors.

The Executive Board and senior officers at GroupM Denmark A/S are participating in the WPP Group's share option programme. The programme has been entered with WPP Plc. and GroupM Denmark A/S is not impacted financially.

## 3 Depreciation of intangible assets and property, plant and equipment

Depreciation of property, plant and equipment	5.128	4.477
	<b>5.128</b>	<b>4.477</b>

## Notes to the Financial Statements

	2021 TDKK	2020 TDKK
<b>4 Financial income</b>		
Interest received from group enterprises	52	58
Other financial income	718	0
Exchange gains	0	1.037
	<b>770</b>	<b>1.095</b>
<b>5 Financial expenses</b>		
Interest paid to group enterprises	9	0
Other financial expenses	171	6
Exchange loss	891	655
	<b>1.071</b>	<b>661</b>
<b>6 Tax on profit/loss for the year</b>		
Current tax for the year	38	934
Deferred tax for the year	281	-141
	<b>319</b>	<b>793</b>

# Notes to the Financial Statements

## 7 Property, plant and equipment

	Other fixtures and fittings, tools and equipment TDKK	Leasehold improvements TDKK
Cost at 1 January	14.729	11.383
Additions for the year	3.365	451
Disposals for the year	-400	0
Cost at 31 December	17.694	11.834
Impairment losses and depreciation at 1 January	4.880	2.595
Depreciation for the year	3.145	1.983
Reversal of impairment and depreciation of sold assets	-167	0
Impairment losses and depreciation at 31 December	7.858	4.578
<b>Carrying amount at 31 December</b>	<b>9.836</b>	<b>7.256</b>

## 8 Investments in subsidiaries

	2021 TDKK	2020 TDKK
Cost at 1 January	106.668	32.461
Additions for the year	0	74.207
<b>Carrying amount at 31 December</b>	<b>106.668</b>	<b>106.668</b>

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership	Equity	Net profit/loss for the year
Wavemaker A/S	Copenhagen	kDKK 24.600	100%	63.926	13.273
Mediacom Danmark A/S	Copenhagen	kDKK 21.000	100%	94.279	16.128

# Notes to the Financial Statements

## 9 Other fixed asset investments

	Deposits TDKK
Cost at 1 January	4.509
Additions for the year	60
Cost at 31 December	4.569
<b>Carrying amount at 31 December</b>	<b>4.569</b>

## 10 Contract work in progress

	2021 TDKK	2020 TDKK
Selling price of work in progress	5.240	3.006
Payments received on account	-19.370	-11.423
	<b>-14.130</b>	<b>-8.417</b>
Recognised in the balance sheet as follows:		
Contract work in progress recognised in assets	14	224
Prepayments received recognised in debt	-14.144	-8.641
	<b>-14.130</b>	<b>-8.417</b>

## 11 Prepayments

Prepayments consist of prepaid expenses concerning rent, insurance premiums and subscriptions.

# Notes to the Financial Statements

## 12 Equity

The share capital consists of 510 shares of a nominal value of TDKK 1,000. No shares carry any special rights.

The share capital has developed as follows:

	2021 TDKK	2020 TDKK	2019 TDKK	2018 TDKK	2017 TDKK
Share capital at 1 January	500	500	500	500	500
Capital increase	10	0	0	0	0
Capital decrease	0	0	0	0	0
<b>Share capital at 31 December</b>	<b>510</b>	<b>500</b>	<b>500</b>	<b>500</b>	<b>500</b>

## 13 Distribution of profit

	2021 TDKK	2020 TDKK
Proposed dividend for the year	25.574	0
Retained earnings	-24.379	2.757
	<b>1.195</b>	<b>2.757</b>

## 14 Provision for deferred tax

Provision for deferred tax at 1 January	-367	-226
Amounts recognised in the income statement for the year	281	-141
Net effect from merger under the uniting of interests method	110	0
<b>Provision for deferred tax at 31 December</b>	<b>24</b>	<b>-367</b>
Property, plant and equipment	362	347
Accruals	-995	-1.301
Contract work in progress	657	587
Transferred to deferred tax asset	0	367
	<b>24</b>	<b>0</b>
<b>Deferred tax asset</b>		
Calculated tax asset	0	367
<b>Carrying amount</b>	<b>0</b>	<b>367</b>

# Notes to the Financial Statements

## 15 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:

	2021 TDKK	2020 TDKK
<b>Other payables</b>		
Between 1 and 5 years	0	10.489
Long-term part	0	10.489
Other short-term payables	41.053	35.220
	<b>41.053</b>	<b>45.709</b>

## 16 Other payables

Value added tax etc	14.467	8.057
Wages and salaries, personal income taxes, social security costs, etc	4.973	8.874
Holiday pay obligation	5.329	4.870
Other debt	16.284	13.419
	<b>41.053</b>	<b>35.220</b>

## Notes to the Financial Statements

	2021 TDKK	2020 TDKK
<b>17 Contingent assets, liabilities and other financial obligations</b>		
<b>Contingent liabilities</b>		
Commitments under rental agreements or leases until expiry	43.779	54.922

The Company has provided a guarantee of DKK 750 thousand in favour of 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 companies GroupM Denmark A/S and Wavemaker A/S 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 for income taxes etc for the jointly taxed companies and 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

## 18 Related parties

### Controlling interest

WPP Holding Denmark A/S, Per Henrik Lings Allé 4, 7, 2100 Copenhagen Ø, Central Registration No 56 87 36 19 owns all the shares of the Company and thus has control over the Company.

### Transactions

The Company only disclose transactions with related parties which are not effected at arm's length. All transactions are at arm's length.

### 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.

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

## 19 Fee to auditors appointed at the general meeting

### Deloitte

	2021 TDKK	2020 TDKK
Audit fee	614	530
Other assurance engagements	0	8
	<b>614</b>	<b>538</b>



# Notes to the Financial Statements

## 20 Accounting Policies

The Annual Report of GroupM Denmark A/S for 2021 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C .

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2021 are presented in TDKK.

### Consolidated financial statements

With reference to section 112 of the Danish Financial Statements Act and to the consolidated financial statements of WPP plc., the Company has not prepared consolidated financial statements.

### 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.

### Business combinations

#### *Pooling of interests*

Intragroup business combinations are accounted for under the pooling-of-interests method. Under this method, the two enterprises are combined at carrying amounts, and no differences are identified. Any consideration which exceeds the carrying amount of the acquired enterprise is recognised directly in equity. The pooling-of-interests method is applied at the date of acquisition, and comparative figures have not been restated.

# Notes to the Financial Statements

## 20 Accounting Policies (continued)

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

## Income Statement

### Revenue

Revenue from the sale of media and administrative services to group related WPP-companies 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 the revenue corresponds to the selling price of 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. Use of media includes received discounts, etc.

### Other external expenses

Other external expenses include 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.

# Notes to the Financial Statements

## 20 Accounting Policies (continued)

### Staff expenses

Staff costs comprise salaries and wages as well as social security contributions, pension contributions, etc for entity staff.

### Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment comprise amortisation, 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 intangible assets as well as property, plant and equipment.

### Income from investments in subsidiaries

Dividends from subsidiaries are recognised as income in the income statement when adopted at the General Meeting of the subsidiary.

### 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.

# Notes to the Financial Statements

## 20 Accounting Policies (continued)

### 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	3-5 years
Leasehold improvements	5-10 years

The fixed assets' residual values are determined at nil.

Depreciation period and residual value are reassessed annually.

#### Impairment of fixed assets

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

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

#### Investments in subsidiaries

Investments in subsidiaries are measured at cost. Where cost exceeds the recoverable amount, write-down is made to this lower value.

#### Other fixed asset investments

Other 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.

# Notes to the Financial Statements

## 20 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 rent, insurance premiums and subscriptions.

# Notes to the Financial Statements

## 20 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

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

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