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# ***Wunderman A/S***

Strandboulevarden 122, 4., DK-2100 Copenhagen Ø

## **Annual Report for 1 January - 31 December 2020**

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CVR No 33 97 14 19

The Annual Report was  
presented and adopted at  
the Annual General  
Meeting of the Company on  
12/2 2021

Martin Hviid Saxtorph  
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	10
Balance Sheet 31 December	11
Statement of Changes in Equity	13
Notes to the Financial Statements	14

# Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Wunderman A/S for the financial year 1 January - 31 December 2020.

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 2020 of the Company and of the results of the Company operations for 2020.

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, 12 February 2021

## Executive Board

Jan William Werner  
CEO

/ Martin Hviid Saxtorph  
CFO

## Board of Directors

Manuel De Manzanos Segimon  
Chairman

Ewen Cameron

Martin Hviid Saxtorph

Jens William Werner

Jan William Werner

# Independent Auditor's Report

To the Shareholders of Wunderman A/S

## Opinion

We have audited the Financial Statements of Wunderman A/S for the financial year 1 January - 31 December 2020, 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 2020 and of the results of the Company's operations for the financial year 1 January - 31 December 2020 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, 12 February 2021

**Deloitte**

Statsautoriseret Revisionspartnerselskab

*CVR No 33 96 35 56*

Kim Mücke  
State Authorised Public Accountant  
mne10944

Lars Hansen  
State Authorised Public Accountant  
mne24826

## **Company Information**

### **The Company**

Wunderman A/S  
Strandboulevarden 122, 4.  
DK-2100 Copenhagen Ø

CVR No: 33 97 14 19  
Financial period: 1 January - 31 December  
Municipality of reg. office: Copenhagen

### **Board of Directors**

Manuel De Manzanos Segimon, Chairman  
Ewen Cameron  
Martin Hviid Saxtorph  
Jens William Werner  
Jan William Werner

### **Executive Board**

Jan William Werner  
/ Martin Hviid Saxtorph

### **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:

	2020 TDKK	2019 TDKK	2018 TDKK	2017 TDKK	2016 TDKK
<b>Key figures</b>					
<b>Profit/loss</b>					
Revenue	560,313	453,456	368,422	247,954	195,066
Gross profit/loss	403,260	335,397	284,208	186,755	155,701
Operating profit/loss	169,044	133,224	117,032	71,036	55,417
Net financials	2,451	-415	2,042	1,953	975
Net profit/loss for the year	134,307	103,619	93,268	57,575	44,208
<b>Balance sheet</b>					
Balance sheet total	249,302	176,443	154,826	98,509	80,766
Equity	140,117	109,429	99,078	63,385	50,018
Investment in property, plant and equipment	2,828	2,441	4,989	2,725	1,596
Number of employees	437	379	247	200	182
<b>Ratios</b>					
Gross margin	72.0%	74.0%	77.1%	75.3%	79.8%
Solvency ratio	56.2%	62.0%	64.0%	64.3%	61.9%
Return on equity	107.6%	99.4%	114.8%	101.5%	109.0%

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 Company's main activity is to provide marketing automation and personalization services, including technology-, data-, communication consulting services and other related services.

## **Development in the year**

The income statement of the Company for 2020 shows a profit of TDKK 134,307, and at 31 December 2020 the balance sheet of the Company shows equity of TDKK 140,117.

## **The past year and follow-up on development expectations from last year**

The development in the result for the year compared to 2019 is in accordance with Management's expectations for the financial year 2020. The financial year 2020 has been a year of consolidation and financial investment in the future business including new and improved services, accelerators, technologies and new locations. Additionally, significant investments in intellectual property (technologies) from previous years have contributed positively to the financial year.

The Company continues the strategy of extensive diversification of risk in its diverse global client portfolios and has through successful wins in 2020 managed to increase the number of global clients. The revenue and gross profit that has increased over the past years indicates that the Company's focus on value adding digital, direct relationship marketing solutions across all available channels is still very much in demand.

## ***Operating risks***

The Company is not exposed to special risks except for normal risks within the industry.

## ***Foreign exchange risks***

The Company is increasingly exposed towards currency risk. To the extent possible, the Company takes this into consideration when negotiating terms in agreements etc. The Company has not entered into any forward contracts.

## ***Foreign branches and subsidiaries***

The Company has a subsidiary in Sweden, Wunderman Sweden AB, to provide communication consulting services and related services on the Swedish market. The Company has a branch in Norway, Wunderman Norway NUF, to provide communication consulting services and related services on the Norwegian market.

Furthermore, the Company has operations outside of EMEA; through presence in North America and APAC, the Company offers 24 hours support 365 days a year in all time zones.

# Management's Review

## Targets and expectations for the year ahead

Management expects that revenue and profit before tax will remain at the same level for the coming financial year.

## Statement of corporate social responsibility

We recognize the major threat that climate change and environmental degradation pose to global social and economic development. We support urgent action to tackle the climate crisis through the Paris Agreement. Our ongoing environmental management program is to reduce our carbon emissions and broader environmental impact, while helping us to identify and mitigate climate-related risk. The program reduces costs and business risks, while meeting our clients' and colleagues' expectations.

By being part of the global WPP Group, we are 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 Company's policies, actions and results within matters relating to CSR appears 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 is 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 inclusion, diversity and gender equality

The Company wants to encourage diversity and create equal opportunities for all.

With employees from 40+ nationalities with different cultural and ethnic backgrounds, we are proud to offer a truly diverse working environment.

We are also following our policy to ensure an increased representation of women on the Board of Directors and in the senior management team. The Company has a target to increase female participation to minimum 40% by 2023.

Our overall workforce has an equal gender balance, which is also represented at senior manager level. It is the overall and long term objective of the Company to maintain an equal balance between the genders at management level, by continuously attracting and retaining women and developing them to join the management group.

## **Management's Review**

### **Covid 19**

The coronavirus pandemic has touched all our lives. Our two main priorities have been firstly the wellbeing of our people, including doing what we can to limit the impact of the virus on society and secondly the continuity of services for our clients at our very best.

## Income Statement 1 January - 31 December

	<u>Note</u>	<u>2020</u> TDKK	<u>2019</u> TDKK
<b>Revenue</b>	2	<b>560,313</b>	<b>453,456</b>
Other external expenses		-157,053	-118,059
<b>Gross profit/loss</b>		<b>403,260</b>	<b>335,397</b>
Staff expenses	3	-229,474	-199,172
Depreciation, amortisation and impairment of property, plant and equipment		-4,742	-3,001
<b>Profit before financial income and expenses</b>		<b>169,044</b>	<b>133,224</b>
Income from investments in subsidiaries		2,778	789
Financial income	4	154	232
Financial expenses	5	-481	-1,436
<b>Profit before tax</b>		<b>171,495</b>	<b>132,809</b>
Tax on profit/loss for the year	6	-37,188	-29,190
<b>Net profit/loss for the year</b>		<b>134,307</b>	<b>103,619</b>

## Balance Sheet 31 December

### Assets

	Note	2020 TDKK	2019 TDKK
Other fixtures and fittings, tools and equipment		4,633	5,636
Leasehold improvements		350	1,266
<b>Property, plant and equipment</b>	7	<b>4,983</b>	<b>6,902</b>
Investments in subsidiaries	8	7,180	4,402
Deposits		1,104	1,036
<b>Fixed asset investments</b>		<b>8,284</b>	<b>5,438</b>
<b>Fixed assets</b>		<b>13,267</b>	<b>12,340</b>
Trade receivables		74,379	83,513
Contract work in progress	9	19,902	26,363
Receivables from group enterprises		141,015	52,357
Other receivables		82	827
Corporation tax		0	179
Prepayments	10	614	819
<b>Receivables</b>		<b>235,992</b>	<b>164,058</b>
<b>Cash at bank and in hand</b>		<b>43</b>	<b>45</b>
<b>Currents assets</b>		<b>236,035</b>	<b>164,103</b>
<b>Assets</b>		<b>249,302</b>	<b>176,443</b>

# Balance Sheet 31 December

## Liabilities and equity

	Note	2020 TDKK	2019 TDKK
Share capital		1,200	1,200
Reserve for net revaluation under the equity method		2,711	3,524
Retained earnings		1,899	1,086
Proposed dividend for the year		134,307	103,619
<b>Equity</b>	11	<b>140,117</b>	<b>109,429</b>
Provision for deferred tax	13	1,529	2,438
<b>Provisions</b>		<b>1,529</b>	<b>2,438</b>
Other payables		0	6,836
<b>Long-term debt</b>	14	<b>0</b>	<b>6,836</b>
Trade payables		8,196	8,109
Contract work in progress, liabilities	9	20,899	16,176
Payables to group enterprises		10,993	12,185
Corporation tax		2,104	0
Other payables	14	65,464	21,270
<b>Short-term debt</b>		<b>107,656</b>	<b>57,740</b>
<b>Debt</b>		<b>107,656</b>	<b>64,576</b>
<b>Liabilities and equity</b>		<b>249,302</b>	<b>176,443</b>
Subsequent events	1		
Distribution of profit	12		
Contingent assets, liabilities and other financial obligations	15		
Related parties	16		
Fee to auditors appointed at the general meeting	17		
Accounting Policies	18		

## Statement of Changes in Equity

	Share capital	Reserve for net revaluation under the equity method	Retained earnings	Proposed dividend for the year	Total
	TDKK	TDKK	TDKK	TDKK	TDKK
Equity at 1 January	1,200	3,524	1,086	103,619	109,429
Ordinary dividend paid	0	0	0	-103,619	-103,619
Dividend from group enterprises	0	-3,591	3,591	0	0
Net profit/loss for the year	0	2,778	-2,778	134,307	134,307
<b>Equity at 31 December</b>	<b>1,200</b>	<b>2,711</b>	<b>1,899</b>	<b>134,307</b>	<b>140,117</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.

	<u>2020</u> TDKK	<u>2019</u> TDKK
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## 2 Revenue

The Company has only one global business segment and operates in a global digital market.

### Geographical segments

Revenue, global activities	<u>560,313</u>	<u>453,456</u>
	<b><u>560,313</u></b>	<b><u>453,456</u></b>

## 3 Staff expenses

Wages and salaries	224,571	194,207
Pensions	2,007	1,796
Other social security expenses	<u>2,896</u>	<u>3,169</u>
	<b><u>229,474</u></b>	<b><u>199,172</u></b>

<b>Average number of employees</b>	<b><u>437</u></b>	<b><u>379</u></b>
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Remuneration to the Executive Board has not been disclosed in accordance with section 98 B(3) of the Danish Financial Statements Act.

## 4 Financial income

Interest received from group enterprises	152	137
Other financial income	2	9
Exchange adjustments	<u>0</u>	<u>86</u>
	<b><u>154</u></b>	<b><u>232</u></b>



## Notes to the Financial Statements

	2020 <u>TDKK</u>	2019 <u>TDKK</u>
<b>5 Financial expenses</b>		
Interest paid to group enterprises	57	172
Other financial expenses	246	152
Exchange loss	178	1,112
	<u><b>481</b></u>	<u><b>1,436</b></u>
<b>6 Tax on profit/loss for the year</b>		
Current tax for the year	38,097	28,740
Deferred tax for the year	-909	407
Adjustment of tax concerning previous years	0	43
	<u><b>37,188</b></u>	<u><b>29,190</b></u>
<b>7 Property, plant and equipment</b>		
	Other fixtures and fittings, tools and equipment <u>TDKK</u>	Leasehold improvements <u>TDKK</u>
Cost at 1 January	13,892	8,178
Additions for the year	<u>2,828</u>	<u>0</u>
Cost at 31 December	<u>16,720</u>	<u>8,178</u>
Impairment losses and depreciation at 1 January	8,256	6,912
Depreciation for the year	<u>3,831</u>	<u>916</u>
Impairment losses and depreciation at 31 December	<u>12,087</u>	<u>7,828</u>
<b>Carrying amount at 31 December</b>	<u><b>4,633</b></u>	<u><b>350</b></u>

## Notes to the Financial Statements

	2020 TDKK	2019 TDKK
<b>8 Investments in subsidiaries</b>		
Cost at 1 January	878	878
Cost at 31 December	878	878
Value adjustments at 1 January	3,524	2,735
Net profit/loss for the year	2,778	789
Value adjustments at 31 December	6,302	3,524
<b>Carrying amount at 31 December</b>	<b>7,180</b>	<b>4,402</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
Wunderman Sweden AB	Sweden	SEK 200.000	100%	7,180	2,778

	2020 TDKK	2019 TDKK
<b>9 Contract work in progress</b>		
Selling price of work in progress	264,571	246,144
On account billings	-265,568	-235,957
	<b>-997</b>	<b>10,187</b>
Recognised in the balance sheet as follows:		
Contract work in progress recognised in assets	19,902	26,363
Billings on account	-20,899	-16,176
	<b>-997</b>	<b>10,187</b>

## 10 Prepayments

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

# Notes to the Financial Statements

## 11 Equity

The share capital consists of 12,000 shares of a nominal value of TDKK 100. No shares carry any special rights.

There have been no changes in the share capital during the last 5 years.

	2020 TDKK	2019 TDKK
<b>12 Distribution of profit</b>		
Proposed dividend for the year	134,307	103,619
Reserve for net revaluation under the equity method	2,778	789
Retained earnings	-2,778	-789
	<b>134,307</b>	<b>103,619</b>

## 13 Provision for deferred tax

Provision for deferred tax at 1 January	2,438	2,030
Amounts recognised in the income statement for the year	-909	408
<b>Provision for deferred tax at 31 December</b>	<b>1,529</b>	<b>2,438</b>

## 14 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:

	2020 TDKK	2019 TDKK
<b>Other payables</b>		
Between 1 and 5 years	0	6,836
Long-term part	0	6,836
Other short-term payables	65,464	21,270
	<b>65,464</b>	<b>28,106</b>

## Notes to the Financial Statements

	<u>2020</u> TDKK	<u>2019</u> TDKK
<b>15 Contingent assets, liabilities and other financial obligations</b>		
<b>Rental and lease obligations</b>		
Lease obligations under operating leases. Total future lease payments:		
Until expiry	<u>168,432</u>	<u>3,053</u>
	<b><u>168,432</u></b>	<b><u>3,053</u></b>
<b>Other contingent liabilities</b>		
Recourse and non-recourse guarantee commitments	<u>12,488</u>	<u>3,488</u>

The group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. The total amount of corporation tax payable is disclosed in the Annual Report of WPP Holding Danmark A/S, which is the management company of the joint taxation purposes. Moreover, the group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on un-earned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company's liability.

# Notes to the Financial Statements

## 16 Related parties

### Basis

#### Controlling interest

Y&R Denmark Holdings II ApS, Per Henrik Lings Allé 4,      Controlling shareholder  
DK-2100 Copenhagen Ø

#### Transactions

The Company has chosen only to disclose transactions which have not been made on an arm's length basis in accordance with section 98(c)(7) of the Danish Financial Statements Act. 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:

<u>Name</u>	<u>Place of registered office</u>
WPP Jubilee Limited (smallest group)	18 Upper Ground, SE 9GL, London, England
WPP Plc. (largest group)	Queensway House, Hilgrove Street, St. Helier, JE1 1ES, Jersey, England

The Group Annual Report of WPP Jubilee Limited may be obtained at the office address.

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

## 17 Fee to auditors appointed at the general meeting

With reference to section 96(3) of the Danish Financial Statements Act and to the fee to auditors appointed at the general meeting included in the consolidated financial statements of WPP Plc. (largest group), the Company has not disclosed fee to auditors appointed at the general meeting.

# Notes to the Financial Statements

## 18 Accounting Policies

The Annual Report of Wunderman A/S for 2020 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 2020 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., Queensway House, Hilgrove Street, St. Helier, JE1 1ES, Jersey, England, 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. (largest group), the Company has not prepared a cash flow statement.

### Recognition and measurement

The Financial Statements have been prepared under the historical cost method.

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

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.

# Notes to the Financial Statements

## 18 Accounting Policies (continued)

### Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Gains and losses 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 transaction date rates are recognised in financial income and expenses in the income statement.

Income statements of foreign subsidiaries and associates that are separate legal entities are translated at transaction date rates or approximated average exchange rates. Balance sheet items are translated at the exchange rates at the balance sheet date. Exchange adjustments arising on the translation of the opening equity and exchange adjustments arising from the translation of the income statements at the exchange rates at the balance sheet date are recognised directly in equity.

Income statements of enterprises that are integrated entities are translated at transaction date rates or approximated average exchange rates; however, items derived from non-monetary balance sheet items are translated at the transaction date rates of the underlying assets or liabilities. Monetary balance sheet items are translated at the exchange rates at the balance sheet date, whereas non-monetary items are translated at transaction date rates. Exchange adjustments arising on the translation are recognised in financial income and expenses in the income statement.

## Income Statement

### Revenue

Services are recognised at the rate of completion of the service to which the contract relates by using the percentage-of-completion method, which means that revenue equals the selling price of the service completed for the year. This method is applied when total revenues and expenses in respect of the service and the stage of completion at the balance sheet date can be measured reliably, and it is probable that the economic benefits, including payments, will flow to the Company. The stage of completion is determined on the basis of the ratio between the expenses incurred and the total expected expenses of the service.

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

### Other external expenses

Other external expenses comprise indirect production costs and expenses for premises, sales and marketing as well as office expenses, etc.

# Notes to the Financial Statements

## 18 Accounting Policies (continued)

### Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses.

### Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of assets, equipment etc.

### Income from investments in subsidiaries

The item "Income from investments in subsidiaries" in the income statement includes the proportionate share of the profit for the year.

### Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

### 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 other WPP entities in Denmark. The tax effect of the joint taxation is allocated to Danish 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.



# Notes to the Financial Statements

## 18 Accounting Policies (continued)

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 years

Depreciation period and residual value are reassessed annually.

### 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 amortisation and depreciation.

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

### Investments in subsidiaries

Investments in subsidiaries are recognised and measured under the equity method.

The item "Investments in subsidiaries" in the balance sheet include the proportionate ownership share of the net asset value of the enterprises calculated on the basis of the fair values of identifiable net assets at the time of acquisition.

The total net revaluation of investments in subsidiaries is transferred upon distribution of profit to "Reserve for net revaluation under the equity method" under equity. The reserve is reduced by dividend distributed to the Parent Company and adjusted for other equity movements in the subsidiaries.

### 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 group enterprises.

### Receivables

Receivables are recognised in the balance sheet at amortised cost, which substantially corresponds to nominal value. Provisions for estimated bad debts are made.

# Notes to the Financial Statements

## 18 Accounting Policies (continued)

### **Contract work in progress**

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

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

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

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

Cost of securing contracts are recognised in the income statement as incurred.

### **Prepayments**

Prepayments comprise prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

### **Equity**

#### ***Dividend***

Dividend distribution proposed by Management for the year is disclosed as a separate equity item.

### **Deferred tax assets and liabilities**

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

# Notes to the Financial Statements

## 18 Accounting Policies (continued)

### Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment 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	$\frac{\text{Gross profit} \times 100}{\text{Revenue}}$
Profit margin	$\frac{\text{Profit before financials} \times 100}{\text{Revenue}}$
Solvency ratio	$\frac{\text{Equity at year end} \times 100}{\text{Total assets at year end}}$
Return on equity	$\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$