

**Company Registration No. 02670637**

**SJS Management Services Limited**

**Annual Report and Financial Statements**

**For the year ended 31 December 2015**



# **SJS Management Services Limited**

## **Annual report and financial statements for the year ended 31 December 2015**

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# **SJS Management Services Limited**

## **Annual report and financial statements for the year ended 31 December 2015**

### **Officers and professional advisers**

#### **Directors**

A J Spark  
A Delgado (resigned 16<sup>th</sup> October 2015)  
O A Jordan (appointed 15<sup>th</sup> October 2015)

#### **Company Secretary**

WPP Group (Nominees) Limited

#### **Registered Office**

6 Brewhouse Yard  
London  
EC1V 4DG

#### **Bankers**

HSBC  
69 Pall Mall  
London  
SW1Y 5EY

#### **Solicitors**

Squire Hammonds  
7 Devonshire Square  
Cutlers Garden  
London  
EC2M 4YH

#### **Auditor**

Deloitte LLP  
Chartered Accountants and Statutory Auditor  
London, United Kingdom

# **SJS Management Services Limited**

## **Strategic report**

The purpose of the Strategic report is to inform members of the company and help them assess how the Directors have performed their duty under section 172 of the Companies Act 2006 (duty to promote success of the company). In preparing the Strategic report Directors have complied with section 414 of the Companies Act 2006.

### **Business review**

The company's principal activity is the management of real estate on a fee or contract basis. The company provides facilities and information technology (IT) services. The main facilities services provided are: office space, communal facilities, meeting rooms, security, cleaning and facilities maintenance. The main IT services provided are: networking, telephony and a helpdesk. The company's tenants are fellow WPP Plc undertakings.

The main objective of the business is to provide the above services at a high quality and more efficiently than could individual tenant companies. The company aims, with some exceptions, to recover all its costs without any mark-up. The recharge to the tenants is based on their floorspace and headcount.

The Directors note that the 2015 performance was affected by the introduction of IBM as a new IT provider. Revenue decreased 6% on last year to £2.5 million (2014: £2.7million). The decrease in revenues was mainly due to higher IT costs not recharged to tenants.

Loss after tax increased on last year to £203k (2014: £79k). This was mainly due to higher IT costs.

As at 31 December 2015 the Company had net liabilities of £2.3m (2014: £2.1m). The bank overdraft has decreased from 2014 (£6.3m) to 2015 (£5.3m).

### **Principal risks and uncertainties facing the company**

The Directors have carried out a general risk assessment and consider the business to be low risk. The Directors manage the business to minimise its costs and provide a high quality service level to its tenants.

The following risk areas are specific to the company and could have a material impact on the company's long term performance should they eventuate:

#### *Loss of tenants and credit risk*

The Directors consider loss of tenants and failure of tenants to pay to be the key risks facing the business. Empty space leads to losses for the company or increased charges to the remaining tenants to recover the cost of the empty space. Failure of tenants to pay for their services and space is a possibility. These risks are mitigated by the company leaving its current premises to manage a new building that is tenanted entirely by WPP Plc undertakings that have an obligation to meet the costs of the building for the duration of the headlease.

The company currently meets its day-to-day working capital requirements through participating in group banking arrangements with its ultimate parent, WPP Plc and has access to a group cash management facility.

The company's principal financial assets are trade and other receivables. The company's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

# SJS Management Services Limited

## Strategic report (continued)

### Principal risks and uncertainties facing the company (continued)

Liquidity risk is also relevant and is covered below.

#### *Liquidity risk*

The company currently meets its day-to-day working capital requirements through participating in group banking arrangements with its ultimate parent, WPP Plc and has access to a group cash management facility.

### Financial key performance indicators

The key performance indicators for the business are:

	2015	2014
Turnover	2,517,794	2,684,241
Administrative expenses	<u>(2,632,778)</u>	<u>(2,684,513)</u>
Operating profit/ (loss)	(114,984)	(272)

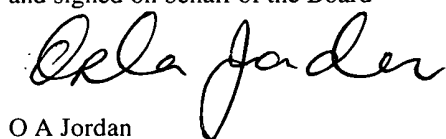
A decision was made by the Directors to absorb the additional IT costs in the year resulting from the transition from an in-house IT function to that provided by IBM as part of a WPP wide initiative. As these costs were not recharged to all tenants, this led to an increase in operating loss in the year.

### Future developments

The Director's financial objective in 2016 is to recover all of its costs so the operating profit is expected to be break-even. However, in 2015, SJS absorbed the excess Coretech/IBM charges after two of its WPP tenants, Brand Union Worldwide and Lambie-Nairn were recharged. As of 1<sup>st</sup> Jan 2016, the building is fully let.

The main objective of the business in 2016 remains the same as 2015: to provide the facilities management services at a high quality and at minimal cost to its tenants.

Approved by the Board of Directors  
and signed on behalf of the Board



O A Jordan  
Director

27<sup>th</sup> September 2016

# **SJS Management Services Limited**

## **Directors' report**

The Directors present their annual report and the audited financial statements for the year ended 31 December 2015.

The company's principal activity is the management of real estate on a fee or contract basis. The company's tenants are fellow WPP Plc undertakings.

### **Results**

The profit and loss account is set out on page 9 and shows a loss after tax for the year of £203,152 (2014: loss of £79,194).

Turnover decreased from £2,684,241 to £2,517,794.

### **Dividends**

The Directors do not recommend the payment of a dividend for the year ended 31 December 2015 (2014: £nil).

### **Going concern**

After making enquiries, the Directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Further details regarding the adoption of the going concern basis can be found in the Statements of accounting policies in the financial statements.

### **Events after the balance sheet date**

There have been no adjusting or non-adjusting events between the balance sheet date and the date of approval of the financial statements.

### **Strategic report**

The Strategic report is pages 2 to 3. The company has chosen to set out certain matters in this Strategic report that would otherwise be required to be disclosed in the Directors' report. These matters include disclosures concerning likely future developments in the business (page 3) and financial risk management (pages 2/3).

### **Directors**

The Directors who served during the year, except as noted, are as shown below:

A J Spark  
O A Jordan

### **Directors' indemnities**

The company has made qualifying third party indemnity provisions for the benefit of its Directors which were made during the year and remain in force at the date of this report.

### **Auditor**

Deloitte LLP are deemed to be re-appointed under section 487(2) of the Companies Act 2006.

Each of the persons who is a Director at the date of approval of this report confirm that:

- so far as each Director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- each Director has taken all steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

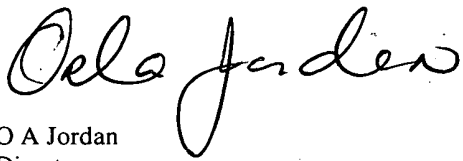
## **SJS Management Services Limited**

### **Directors' report (continued)**

#### **Auditor (continued)**

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Signed on behalf of the Directors

A handwritten signature in black ink, appearing to read 'O A Jordan', written in a cursive style.

O A Jordan  
Director

Approved by the Directors on 27<sup>th</sup> September 2016

# **SJS Management Services Limited**

## **Directors' responsibilities statement**

The Directors are responsible for preparing the Annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework". Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



## **Independent auditor's report to the members of SJS Management Services Limited**

We have audited the financial statements of SJS Management Services Limited for the year ended 31 December 2015 which comprise the profit and loss account, the balance sheet, the statement of changes in equity and the related notes 1 to 20. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 "Reduced Disclosure Framework".

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of Directors and auditor**

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2015 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matter prescribed by the Companies Act 2006**

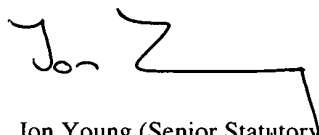
In our opinion the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## **Independent auditor's report to the members of SJS Management Services Limited (continued)**

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

A handwritten signature in black ink, appearing to read 'Jon Young', with a long horizontal line extending to the right and a vertical line dropping down to the text below.

Jon Young (Senior Statutory Auditor)  
for and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditor  
London, United Kingdom

27<sup>th</sup> September 2016

## SJS Management Services Limited

### Profit and loss account For the year ended 31 December 2015

	Notes	2015 £	2014 £
<b>Turnover</b>	3	2,517,794	2,684,241
Administrative expenses		(2,632,778)	(2,684,513)
<b>Operating loss</b>		(114,984)	(272)
Interest payable and similar charges	7	(88,168)	(78,922)
<b>Loss on ordinary activities before taxation</b>	6	(203,152)	(79,194)
Tax on loss on ordinary activities	8	-	-
<b>Loss on ordinary activities after taxation and for the financial year</b>		(203,152)	(79,194)

The operations of the company all relate to continuing operations.

There were no recognised gains or losses in the year other than the loss for the financial year and the prior year. Accordingly no separate statement of comprehensive income is presented.

# SJS Management Services Limited

## Balance sheet As at 31 December 2015

	Notes	2015 £	2014 £
Intangible assets	11	2,667	3,467
Tangible assets	10	5,379,027	5,801,283
		<u>5,381,694</u>	<u>5,804,750</u>
Debtors: amounts falling due within one year	12	810,191	436,285
Creditors: amounts falling due within one year	13	(7,998,666)	(7,868,678)
Net current liabilities		(7,188,475)	(7,432,393)
Total assets less current liabilities		(1,806,781)	(1,627,643)
Provisions for liabilities	14	(448,322)	(425,034)
Net liabilities		<u>(2,255,103)</u>	<u>(2,052,677)</u>
Capital and reserves			
Called-up share capital	15	2	2
Profit and loss account		(2,268,176)	(2,065,024)
Other reserves		13,071	12,345
Shareholder's deficit		<u>(2,255,103)</u>	<u>(2,052,677)</u>

These financial statements of SJS Management Services Limited, registered number 02670637, were approved and authorised by the Board of Directors and authorised for issue on 27<sup>th</sup> September 2016.

Signed on behalf of the Board of Directors

  
O A Jordan  
Director

# SJS Management Services Limited

## Statement of changes in equity As at 31 December 2015

	Notes	Called-up share capital £	Other Reserves £	Profit and loss account £	Total £
<b>Balance at 1 January 2014</b>		2	7,989	(1,985,830)	(1,977,839)
Loss for the year and total comprehensive loss for the year		-	-	(79,194)	(79,194)
Parent company capital contribution for equity-settled share based payments	9	-	4,356	-	4,356
<b>Balance at 31 December 2014</b>		2	12,345	(2,065,024)	(2,052,677)
Loss for the year and total comprehensive loss for the year		-	-	(203,152)	(203,152)
Parent company capital contribution for equity-settled share based payments	9	-	726	-	726
<b>Balance at 31 December 2015</b>		2	13,071	(2,268,176)	(2,255,103)

# **SJS Management Services Limited**

## **Notes to the financial statements For the year ended 31 December 2015**

### **1. Accounting policies**

The financial statements are prepared in accordance with applicable United Kingdom law and accounting standards. The particular accounting policies adopted by the Directors are described below. They have all been applied consistently throughout the current year and the prior year.

#### **Basis of accounting**

SJS Management Services Limited is a company domiciled and incorporated in the United Kingdom under the Companies Act. The address of the registered office is given on page 1. The nature of the company's operations and its principal activities are set out in the business review on page 2.

The company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. Accordingly, in the year ended 31 December 2015 the company has changed its accounting framework from UK GAAP to FRS 101 as issued by the Financial Reporting Council and has, in doing so, applied the requirements of IFRS 1.6-33 and related appendices. These financial statements were prepared in accordance with FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Framework' as issued by the Financial Reporting Council. This transition is not considered to have had a material effect on the financial statements. For more information see note 21.

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain properties and financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for the goods and services. The principal accounting policies adopted are set out below.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

These financial statements are separate financial statements. The company is exempt from the preparation of consolidated financial statements, because it is included in the group financial statements of WPP Plc. Details of the parent in whose consolidated financial statements the company is included are shown in note 20 to the financial statements.

As permitted by FRS 101, the company has taken advantage of the disclosure exemptions available under that standard in relation to business combinations, share-based payment, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash-flow statement, standards not yet effective, impairment of assets and related party transactions. Where required, equivalent disclosures are given in the group financial statements of WPP Plc. The group financial statements of WPP Plc are available to the public and can be obtained as set out in note 20.

# **SJS Management Services Limited**

## **Notes to the financial statements (continued) For the year ended 31 December 2015**

### **1. Accounting policies (continued)**

#### **Going concern**

The company's business activities are set out in the Strategic report on page 2.

The company is exposed to a number of risks and uncertainties as outlined in the Directors' report, including credit and liquidity risk. The company has net liabilities of £2.3m, net current liabilities of £7.2m as at 31 December 2015 and made a loss for the year of £203,152. The company has continued to make a loss in the period between 31 December 2015 and the date of authorisation of these financial statements.

The company is dependant on group support and currently meets its day-to-day working capital requirements through participating in group banking arrangements with its ultimate parent, WPP Plc and has access to a group cash management facility. After making enquiries into the company's financial position and considering the financial performance, and future intentions of regional management, the Directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The company is a subsidiary of WPP Plc and is therefore subject to the overall WPP Plc financing arrangements. Accordingly, they continue to adopt the going concern basis.

#### **Share-based payments**

Certain employees of the company benefit from equity-settled share-based payments through participation in stock option and restricted stock incentive schemes. Such awards are satisfied by the delivery of shares in WPP Plc, the ultimate parent undertaking.

Equity-settled share-based payments are measured at fair value (excluding the impact of non-market-based vesting conditions) at the date of grant. Fair value is determined by the market price on that date or the application of a Black Scholes model, depending on the characteristics of the scheme concerned. For the years presented, the majority of the charge to the profit and loss account related to schemes where fair value equalled market price since the equity instrument had no restrictions that impact valuation. Market price on any given day is obtained from external, publicly available sources.

The fair value determined at the grant date is recognised in the profit and loss account as an expense on a straight-line basis over the relevant vesting period, based on the company's estimate of the number of shares that will ultimately vest and adjusted for the effect of any other non-market based vesting conditions.

#### **Tangible fixed assets**

Tangible fixed assets are stated at historical cost less depreciation and any provision for impairment. Tangible fixed assets are depreciated on a straight-line basis, unless otherwise stated, over their estimated useful lives which range from three to ten years. Specific depreciation rates are as follows:

Computer equipment	- 33% per annum
Fixtures, fittings and equipment	- 25% per annum
Leasehold improvements	- Over the term of the lease

#### **Intangible Assets**

Intangible assets are stated at cost, net of depreciation and any provision for impairment.

Amortisation is provided to write off the cost, less estimated residual values, of all fixed assets, over their expected useful lives. It is calculated on a straight-line basis at the following rates:

Computer Software	- 20% per annum
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The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

# **SJS Management Services Limited**

## **Notes to the financial statements (continued) For the year ended 31 December 2015**

### **1. Accounting policies (continued)**

#### **Derecognition of intangible assets**

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognised in profit or loss when the asset is derecognised.

#### **Leasehold improvements**

Leasehold improvement costs are capitalised where they can be reliably measured and are directly attributable towards the development of a leasehold property to a useable state (known as the “fitout” period”).

Rent incurred during a fitout period is capitalised as leasehold improvements where works conducted are so fundamental to the structure of the building that the relevant space is rendered unsafe or unusable for its intended purpose as office space until the work has been completed

#### **Impairment of tangible and intangible assets**

At each balance sheet date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

#### **Taxation**

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted by the balance sheet date. The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.



# **SJS Management Services Limited**

## **Notes to the financial statements (continued) For the year ended 31 December 2015**

### **1. Accounting policies (continued)**

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the company intends to settle its current tax assets and liabilities on a net basis.

#### **Current tax and deferred tax for the year**

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

#### **Operating leases**

The company enters into operating leases and rentals are charged on a straight-line basis over the lease term. Where there is a rent-free period on property operating leases the aggregate benefit is recognised as a reduction of rental expense over the lease term on a straight line basis.

#### **Pension costs**

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

#### **Foreign currencies**

The financial statements are presented in pounds sterling, which is the currency of the primary economic environment in which the company operates (its functional currency).

Transactions in currencies other than the functional currency are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings; and
- exchange differences on transactions entered into to hedge certain foreign currency risks.

#### **Turnover and revenue recognition**

Turnover comprises the gross amounts billed to clients (excluding trade discounts, VAT and similar taxes). Revenue is recognised when the service is performed in accordance with the terms of the contractual arrangement.

# SJS Management Services Limited

## Notes to the financial statements (continued) For the year ended 31 December 2015

### 2. Critical accounting judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, which are described in note 1 above, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The Directors have considered whether there are any such sources of estimation or critical accounting judgements in forming the financial statements and do not determine there to be any for the purposes of disclosure.

### 3. Turnover

All turnover is derived from the company's principal activity and arose in the UK. The destination of turnover was not materially different from the origin.

### 4. Staff costs

	2015 £	2014 £
Employee costs during the year amounted to:		
Wages and salaries	167,344	420,218
Social security costs	17,234	47,508
Pensions costs (see note 18)	4,585	23,087
Share-based payment charge	726	4,356
	<u>189,889</u>	<u>495,169</u>

The average monthly number of persons employed by the company during the year, excluding Directors, was:

	2015 Number	2014 Number
Administration	<u>5</u>	<u>10</u>

### 5. Directors' remuneration

None of the Directors received emoluments in respect of their services as Directors of SJS Management Services Limited in either the current or the prior year.

# SJS Management Services Limited

## Notes to the financial statements (continued) For the year ended 31 December 2015

### 6. Loss on ordinary activities before taxation

	2015 £	2014 £
Loss on ordinary activities before taxation is stated after charging:		
Depreciation – owned assets	540,280	319,166
Fees payable to company's auditor for audit of the company's annual financial statements	12,300	12,300
Operating lease rentals		
- land and buildings	571,999	826,205
- plant and machinery	5,689	1,683
Foreign exchange loss (gain)		
	<u>          </u>	<u>          </u>

The audit fee in 2015 is borne by another WPP group entity and recharged (2015:£14,040, 2014:£12,300)

### 7. Interest payable and similar charges

	2015 £	2014 £
Bank interest payable	(88,168)	(78,922)
	<u>(88,168)</u>	<u>(78,922)</u>

### 8. Tax charge on loss on ordinary activities

The corporation tax charge of £nil (2014: £nil) has been calculated using a UK corporation tax rate of 20.25 % (2014: 21.5%).

	2015 £	2014 £
Loss on ordinary activities before tax	(203,152)	(79,194)
Tax at 20.25 % thereon (2014: 21.5%)	41,138	17,027
<i>Factors affecting the tax credit for the period:</i>		
Expenses not deductible for tax purposes	(79,758)	(47,372)
Movement in short term timing differences	-	(937)
Depreciation in excess of capital allowances	(32,701)	(21,256)
Adjustment in respect of group relief claimed for £nil consideration	71,321	52,538
	<u>          </u>	<u>          </u>
	<u>          </u>	<u>          </u>

### Budget announcements

The Finance Act 2012 provided for a reduction in the main rate of UK corporation tax from 24% to 23% effective from 1 April 2013. Further reductions to the main rate of UK corporation tax to 21% from 1 April 2014 and 20% from 1 April 2015 were enacted in Finance Act 2013 in July 2013. The reduced rate of 20% has therefore been reflected in the calculation of deferred tax as it had been substantively enacted at the balance sheet date.

During the 2015 Budget the Government had announced a reduction in corporation tax rates to 18% from 2020. A further reduction to 17% from 1 April 2020 was announced in the 2016 Budget. The corporation tax rates for the financial years beginning 1 April 2017, 1 April 2018 and 1 April 2019 will remain at 19%.

## **SJS Management Services Limited**

### **Notes to the financial statements (continued) For the year ended 31 December 2015**

#### **8. Tax charge on loss on ordinary activities (continued)**

A deferred tax asset has not been recognised in respect of timing differences relating to fixed assets as there is insufficient evidence that the asset will be recovered. The amount of the asset not recognised is £279,301 (2014: £278,037).

#### **9. Share-based payments**

The company charged £726 to the profit and loss account in 2015 (2014: £4,356) in relation to equity-settled share-based payments.

##### **Stock option plans**

There are two stock option plans in which certain employees participate. The Worldwide Share Ownership Programme is open to employees with at least two years' employment in a company owned by WPP plc. The vesting period for each grant is three years and there are no performance conditions other than continued employment with a WPP company.

The Executive Stock Option Plan has historically been open for participation to WPP Leaders, Partners and High Potential Group. The vesting period is three years and performance conditions include achievement of various TSR (Total Shareowner Return) and EPS (Earnings per share) objectives by WPP plc, as well as continued employment with a WPP company. Since 2005, the company has moved away from the issuance of stock options under this scheme, making grants of restricted stock instead.

Stock options have a life of ten years, including the vesting period. The terms of stock options with performance conditions are such that, if after nine years and eight months, the performance conditions have not been met, then the stock option will vest automatically. Stock options are satisfied out of newly issued shares in WPP plc.

The number of options granted in 2015 and 2014 was not material.

##### **Restricted stock schemes**

Certain employees participate in restricted stock schemes, which are in most cases satisfied by the delivery of stock from one of the WPP plc ESOP Trusts. The most significant schemes are:

##### *Performance Share Awards (PSA)*

Grants of stock under PSA are dependent upon annual performance targets, typically based on one or more of: operating profit, profit before taxation and operating margin. Grants are made in the year following the year of performance measurement, and will vest two years after grant provided the individual concerned is continually employed by a WPP company throughout this time.

##### *Leaders, Partners and High Potential Group*

Since 2005, restricted stock grants under this plan have effectively replaced executive stock options. Performance conditions include continued employment over a three-year vesting period.

##### *Special Share Awards*

From time to time, one-off awards are made to individuals in the form of restricted stock. Performance conditions include continued employment over the vesting period. As these are one-off awards the vesting period will differ for each award granted.

# SJS Management Services Limited

## Notes to the financial statements (continued) For the year ended 31 December 2015

### 9. Share-based payments (continued)

#### Grant details

For restricted stock awards, the number of shares granted for the most significant schemes and the weighted average fair value of these grants was as follows:

	2015	2014
<b>PSA</b>		
Number of shares granted	-	-
Weighted average fair value at grant date (£ per share)	-	-
<b>Leaders, Partners and High Potential Group</b>		
Number of shares granted	-	-
Weighted average fair value at grant date (£ per share)	-	-
<b>Special Share Awards</b>		
Number of shares granted	-	-
Weighted average fair value at grant date (£ per share)	-	-

### 10. Tangible assets

	Leasehold improvements £	Computer equipment £	Fixtures, fittings, and equipment £	Total £
<b>Cost</b>				
At 1 January 2015	5,413,112	296,029	476,081	6,185,222
Additions	78,227	32,838	25,003	136,068
Disposals	(18,987)	(41,064)	(5,107)	(65,158)
At 31 December 2015	5,472,352	287,803	495,977	6,256,132
<b>Depreciation</b>				
At 1 January 2015	220,302	102,455	61,182	383,939
Charge for the year	378,832	59,759	101,689	540,280
Disposals	(944)	(41,064)	(5,107)	(47,115)
At 31 December 2015	598,190	121,150	157,764	877,104
<b>Net book value</b>				
At 31 December 2015	4,874,162	166,653	338,213	5,379,028
At 31 December 2014	5,192,810	193,574	414,899	5,801,283

# SJS Management Services Limited

## Notes to the financial statements (continued) For the year ended 31 December 2015

### 11. Intangible assets

	<b>Total £</b>
<b>Cost</b>	
At 1 January 2015 and 31 December 2015	4,000
<b>Amortisation</b>	
At 1 January 2015	533
Charge for the year (included in admin expenses)	800
At 31 December 2015	1,333
<b>Net book value</b>	
At 31 December 2015	2,667
At 31 December 2014	3,467

### 12. Debtors: amounts falling due within one year

	<b>2015 £</b>	<b>2014 £</b>
Intercompany Debtors	229,433	405,775
Other debtors	1,334	15,712
Prepayments and accrued income	579,424	14,798
	<u>810,191</u>	<u>436,285</u>

### 13. Creditors: amounts falling due within one year

	<b>2015 £</b>	<b>2014 £</b>
Bank overdraft	5,300,509	6,305,618
Trade creditors	7,792	23,694
Amounts due to other group undertakings	45,309	16,904
VAT creditors	36,340	126,469
Other taxation and social security	2,498	13,728
Accruals and deferred income	1,317,511	665,450
Other creditors	1,288,708	716,815
	<u>7,998,667</u>	<u>7,868,678</u>

# SJS Management Services Limited

## Notes to the financial statements (continued) For the year ended 31 December 2015

### 14. Provisions for liabilities

The provision is for future expected dilapidation costs to the buildings at 11-33 St John Street and 6 Brewhouse Yard. The former is expected to be settled in 2016, the lease on the latter may be terminated on the 8<sup>th</sup> October 2023.

	<b>Dilapidation provision £</b>	<b>Total £</b>
At 1 January 2015	419,065	419,065
Charged to the profit and loss account	23,288	23,288
At 31 December 2015	<u>442,353</u>	<u>442,353</u>

### 15. Called-up share capital

	<b>2015 £</b>	<b>2014 £</b>
<b>Called-up, allotted and fully paid</b>		
2 ordinary shares of £1 each	2	2
<b>Authorised</b>		
100 ordinary share of £1 each	<u>100</u>	<u>100</u>

### 16. Operating lease commitments

At the balance sheet date, the Company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	<b>2015 £</b>	<b>2014 £</b>
Within one year	-	-
In the second to fifth years inclusive	880,000	-
After five years	3,300,000	4,180,000
	<u>4,180,000</u>	<u>4,180,000</u>

Operating lease payments represent rentals payable by the Company for certain of its office properties. Leases are negotiated for an average term of 15 years with a break clause after 10 years. Leases of land and buildings are typically subject to rent reviews at specified intervals.

### 17. Financial guarantees

SJS Management Services Limited participates in group banking arrangements with its parent company, WPP Plc, and has access to a group cash management facility. SJS Management Services Limited guarantees the facility to the extent of its cash deposit in the UK with its clearing bank. The company, together with its parent, WPP Plc, and certain other subsidiary undertakings, is a party to the group's syndicated banking arrangements. SJS Management Services Limited has jointly and severally guaranteed the borrowings under these arrangements. Details of these arrangements are included in the financial statements of WPP Plc.

## **SJS Management Services Limited**

### **Notes to the financial statements (continued) For the year ended 31 December 2015**

#### **18. Pension schemes**

Where employees wish to make personal pension plan arrangements, the company may make direct contributions to such plans or provide a supplement to salary.

The pension cost charge for the year for defined contribution schemes was £4,585 (2014: £23,087).

#### **19. Ultimate parent undertaking and controlling party**

The Directors regard The Brand Union Limited, a company incorporated in the United Kingdom and registered in England and Wales, as the immediate parent company and WPP Plc, a company incorporated in Jersey, as the ultimate parent company and the ultimate controlling party.

At the year end the parent undertaking of the largest group of undertakings for which group financial statements are drawn up and of which the company is a member is WPP Plc, registered in Jersey. The parent undertaking of the smallest such group is Lexington International B.V., registered in the Netherlands.

Copies of the financial statements of WPP Plc are available at [www.wppinvestor.com](http://www.wppinvestor.com). Copies of the financial statements of Lexington International B.V. can be obtained from Laan op Zuid 167, 3072 DB Rotterdam, Netherlands or 27 Farm Street, London, W1J 5RJ, UK.

#### **20. Explanation of transition to FRS 101**

This is the first year that the company has presented its financial statements under FRS 101 (Financial Reporting Standard 101) issued by the Financial Reporting Council. The following disclosures are required in the year of transition. The last financial statements under a previous GAAP (UK GAAP) were for the year ended 31 December 2014 and the date of transition to FRS 101 was therefore 1 January 2014.

There are no adjustments resulting from the transition from UK GAAP to FRS 101 which affect the financial position or financial performance of the entity.