

# LONDON AND MANCHESTER GROUP LIMITED

COMPANY REGISTERED IN ENGLAND AND WALES  
REGISTRATION NUMBER 1594941

## REPORT AND ACCOUNTS

For the year ended 31 December 2014

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**LONDON AND MANCHESTER GROUP LIMITED (Company registration number: 1594941)**

**REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2014**

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**LONDON AND MANCHESTER GROUP LIMITED (Company registration number: 1594941)**

**REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2014**

**BOARD OF DIRECTORS**

J.A. NEWMAN  
V. HAMES  
C.M. O'NEILL

**COMPANY SECRETARY**

FRIENDS LIFE SECRETARIAL SERVICES LIMITED

**REGISTERED OFFICE**

Pixham End  
Dorking  
Surrey  
RH4 1QA

**AUDITORS**

Ernst & Young LLP  
1 More London Place  
London  
SE1 2AF

**LONDON AND MANCHESTER GROUP LIMITED (Company registration number: 1594941)**

**STRATEGIC REPORT**

The directors present their strategic report on London and Manchester Group Limited ("the Company") for the year ended 31 December 2014.

**PRINCIPAL ACTIVITY**

The Company is a wholly owned subsidiary of Friends Life FPL Limited ("FPL"), and is part of the Friends Life Group of companies ("the Group"). The Company is an intermediate holding company. No change in this activity is envisaged in the future.

At 31 December 2014, the Company's ultimate parent and controlling company was Friends Life Group Limited ("FLGL") (formerly Resolution Limited).

Companies within the Group receive services and administration from either Friends Life Services Limited ("FLS"), Friends Life Management Services Limited ("FLMS") or both. These entities either employ staff engaged in these activities or outsource the provision of these services to external outsourced service providers. Accordingly, the Company has no direct employees. The average number of employees of FLS and FLMS is disclosed in the accounts of those entities.

**RESULTS AND BUSINESS REVIEW**

The result for the year ended 31 December 2014 is shown in the profit and loss account on page 8.

**RISK MANAGEMENT**

The strategic aim of the Friends Life Group is to develop a sustainable business that meets the needs of customers and delivers cash and appropriate returns to shareholders. As with all businesses, the Group is exposed to risk in pursuit of its objectives.

Enterprise risk management ("ERM") is the discipline by which the Group safeguards the interests of customers and shareholders. This is achieved through the identification, assessment, management monitoring and control of current and emerging risks, against a set of agreed risk appetite and limits, in order to develop a sustainable business that meets the needs of customers and delivers cash and appropriate returns to shareholders within appropriate and prudent risk boundaries.

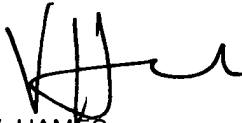
The philosophy underpinning the Group's risk management approach is that it should be designed, implemented and maintained in a manner that supports management's decision making and helps management to deal effectively with uncertainty. The ERM Framework sets out the key activities that are undertaken in order to operate in a risk-conscious manner.

The FLGL Board is responsible for the Group's risk management framework. The Board delegates responsibility for overseeing risk management across the Group to the Risk and Compliance Committee ("RCC"). The RCC is supported by the Executive Risk Committee ("ERC").

The RCC oversees and advises the Board on the Group's overall risk appetite, tolerance and strategy, the current and emerging risk exposures of the Group, as well as informing the Board's decision making in relation to risk assessment, any material breaches of risk appetite and adequacy of remedial action plans.

**STRATEGIC REPORT (continued)**

The ERC provides a Group wide and aggregated view of the risks the Group faces at an executive level and manages the implementation and ongoing operation of the risk management and compliance frameworks and associated activities of the Group, ensuring that customer impacts are considered alongside shareholder impacts. It is supported by Divisional Risk committees which ensure that the risks to which the Group is exposed, through their respective Divisions, are identified, measured, efficiently managed and fall within the appetite for those risks specified by the FLGL Board. All risk policies are reviewed and approved annually to ensure they remain relevant to the changing demands of the business, its risk profile and the current regulatory environment.

A handwritten signature in black ink, appearing to read 'V. HAMES', with a stylized flourish at the end.

V. HAMES  
DIRECTOR  
16 March 2015

**LONDON AND MANCHESTER GROUP LIMITED (Company registration number: 1594941)**

**REPORT OF THE DIRECTORS**

The directors present their report and the audited financial statements of the Company for the year ended 31 December 2014.

**DIRECTORS**

J.A. Newman held office throughout the year.  
A. Sisson resigned as a director on 6 August 2014.  
M. Potkins resigned as a director on 31 December 2014.  
V. Hames was appointed as a director on 22 January 2015.  
C.M. O'Neill was appointed as a director on 22 January 2015.

**DIRECTORS AND OFFICERS - INDEMNITY AND INSURANCE**

The Group maintains insurance cover in respect of directors' and officers' liabilities. In addition, qualifying third party indemnity arrangements (as defined in section 234 of the Companies Act 2006) are in force for the benefit of the directors within the Group and were in force for the benefit of former directors of the Group during 2014. Copies of the documentation are available for inspection at the Company's registered office.

**DIVIDENDS**

No interim dividends have been paid during the year (2013: £nil). The directors do not recommend the payment of a final dividend for the year ended 31 December 2014 (2013: £nil).

**STATEMENT OF DISCLOSURE OF INFORMATION TO THE AUDITOR**

The directors who held office at the date of approval of this report of the directors confirms that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

**AUDITOR**

In accordance with section 487 of the Companies Act 2006, the company has dispensed with the obligation to reappoint its auditor annually and Ernst & Young LLP ("EY") will therefore continue in office.

**STATEMENT OF GOING CONCERN**

The financial statements have been prepared on a going concern basis. In assessing whether the going concern basis is appropriate, the directors have considered the information contained in the financial statements, the latest business plan profit forecasts and the latest working capital forecasts. The directors are satisfied that the Company has adequate resources to continue in operational existence for the foreseeable future.

**LONDON AND MANCHESTER GROUP LIMITED (Company registration number: 1594941)**

**STATEMENT OF DIRECTORS' RESPONSIBILITIES  
IN RESPECT OF THE REPORT OF THE DIRECTORS AND THE FINANCIAL STATEMENTS**

The directors are responsible for preparing the Strategic Report, the Report of the Directors 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). 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 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 judgments and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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 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.

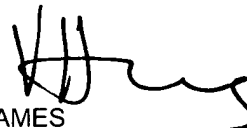
The directors can confirm that they have complied with these requirements.

Pixham End  
Dorking  
Surrey  
RH4 1QA

16 March 2015

Registered Number 1594941

ON BEHALF OF THE BOARD



V. HAMES  
DIRECTOR

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LONDON AND MANCHESTER GROUP LIMITED (Company registration number: 1594941)**

We have audited the financial statements of London and Manchester Group Limited for the year ended 31 December 2014 which comprise the profit and loss account, the balance sheet and the related notes 1 to 11. The financial reporting framework that has been applied to their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 Statement of Directors' responsibilities set out on page 6, 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 Report and Accounts to identify material inconsistencies with the audited financial statements. 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 2014 and of its profit 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 Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

**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.

*Ernst & Young LLP*

George Reid (Senior statutory auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
London  
16 March 2015



**LONDON AND MANCHESTER GROUP LIMITED (Company registration number: 1594941)**

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2014**

	Notes	2014 £000	2013 £000
<b>Continuing operations</b>			
Administrative expenses		(10)	(10)
<b>OPERATING LOSS</b>		<b>(10)</b>	<b>(10)</b>
Other interest receivable and similar income		1	1
Other income	3	-	116
<b>(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAX</b>		<b>(9)</b>	<b>107</b>
Tax credit/(charge) on (loss)/profit on ordinary activities	4	29	(25)
<b>PROFIT FOR THE YEAR</b>	<b>7</b>	<b>20</b>	<b>82</b>

There are no recognised gains or losses for the year other than those included in the profit and loss account and therefore no statement of total recognised gains and losses has been prepared.

There is no difference between the results disclosed above and those on an historical cost basis.

The notes on pages 10 to 13 form an integral part of these financial statements.

**LONDON AND MANCHESTER GROUP LIMITED (Company registration number: 1594941)**

**BALANCE SHEET AS AT 31 DECEMBER 2014**

	Notes	2014 £000	2013 £000
<b>FIXED ASSETS</b>			
Investments in Group undertakings	5	5,750	5,750
		<b>5,750</b>	<b>5,750</b>
<b>CURRENT ASSETS</b>			
Amounts due from Group undertakings		-	2
Cash at bank and in hand		472	471
		<b>472</b>	<b>473</b>
<b>CURRENT LIABILITIES</b>			
Amounts owed to Group undertakings		(8)	-
Taxation payable		(111)	(140)
		<b>(119)</b>	<b>(140)</b>
<b>NET CURRENT ASSETS</b>		<b>353</b>	<b>333</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>6,103</b>	<b>6,083</b>
<b>CAPITAL AND RESERVES</b>			
Called-up share capital	6	5,000	5,000
Profit and loss account	7	1,103	1,083
<b>TOTAL SHAREHOLDER'S FUNDS</b>	7	<b>6,103</b>	<b>6,083</b>

Approved by the Board on 16 March 2015 and signed on its behalf by



J.A. NEWMAN  
DIRECTOR

The notes on pages 10 to 13 form an integral part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS**

**1. ACCOUNTING POLICIES**

**(a) Basis of preparation**

The financial statements have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) and under the historical cost convention, modified by the revaluation of investments as permitted by the Companies Act 2006. As explained in the report of the directors, these financial statements have been prepared on the going concern basis.

The Company is a wholly owned subsidiary of Friends Life FPL Limited ("FPL") and is included in the consolidated financial statements of the Friends Life Group Limited group ("the Group"), which are publicly available. Consequently the Company is exempt from the requirement to prepare group accounts under section 400 of the Companies Act 2006 and has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard ("FRS") 1 *Cash Flow Statements (Revised 1996)*. These financial statements present information about the undertaking as an individual undertaking and not about its group. The accounting policies have been reviewed for appropriateness in accordance with Financial Reporting Standards.

**(b) Investments in Group undertakings**

Group undertakings are subsidiaries over which the Company has control, defined as power, directly or indirectly, to govern the financial and operating policies so as to obtain economic benefits, generally accompanying a shareholding of more than one half of the voting rights. Shares in and loans to Group undertakings are held at historical cost less any provision for impairment. Any provision for impairment is charged to the profit and loss account.

**(c) Other income**

Other income is accounted for when the period for a policyholder to claim entitlements has expired.

**(d) Other interest receivable and similar income**

Dividends, interest or other income receivable include any withholding tax but exclude any other taxes, such as attributable credits, not payable wholly on behalf of the Group. Interest income is recognised as it accrues.

**(e) Administration expenses**

Administrative expenses are accounted for in the year in which they accrue.

**(f) Taxation**

Taxation is based on the profits and income for the period as determined in accordance with the relevant tax legislation, together with adjustments to provisions for prior periods. Tax payable is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Current taxation is recognised in the profit and loss account for the period, except to the extent that it is attributable to a gain or loss recognised outside the profit and loss account, in which case the current tax is recognised in the statement of total recognised gains and losses, or equity, as applicable.

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. ACCOUNTING POLICIES (continued)

Deferred tax is recognised on timing differences arising between the recognition of gains and losses in the financial statements and their recognition in a tax computation. The tax rates used are the rates that have been enacted or substantively enacted by the balance sheet date.

Full provision is made for deferred tax liabilities. Deferred tax assets are recognised to the extent that they are more likely than not to be regarded as recoverable against suitable taxable profits.

Deferred taxation is recognised in the profit and loss account for the period, except to the extent that it is attributable to a gain or loss recognised outside the profit and loss account, in which case the deferred tax is recognised in the statement of total recognised gains and losses, or equity, as applicable. The deferred tax balances are not discounted.

2. AUDITOR'S REMUNERATION

Auditor's remuneration for audit services for the year is £nil (2013: £nil). Remuneration for audit services are borne by other companies within the Group. Fees paid to the Company's auditor, Ernst & Young LLP and its associates for services other than the statutory audit of the Company and other Group undertakings are disclosed in note 7b to the consolidated financial statements of Friends Life Group Limited.

3. OTHER INCOME

	2014 £000	2013 £000
Release of dissenting shareholder cash	-	88
Release of dividend entitlements	-	28
<b>Total other income</b>	<b>-</b>	<b>116</b>

The release of dissenting shareholder cash and dividend entitlements in 2013 represented cash and dividend entitlements to policyholders at the time of demutualisation, for which no claims have been made, and the time period to claim has expired.

4. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2014 £000	2013 £000
<b>(a) Analysis of tax charge in the period</b>		
Tax(credit)/charge on (loss)/profit on ordinary activities	(29)	25
<b>(b) Factors affecting charge for the period</b>		
(Loss)/profit on ordinary activities before taxation	(9)	107
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 21.50% (2013: 23.25%)	(2)	25
Effect of:		
Adjustments in respect to prior periods	(27)	-
<b>Tax (credit)/charge on (loss)/profit on ordinary activities</b>	<b>(29)</b>	<b>25</b>

**LONDON AND MANCHESTER GROUP LIMITED (Company registration number: 1594941)**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**5. INVESTMENTS IN GROUP UNDERTAKINGS**

	<b>Shares in Group Undertakings</b>	<b>Total investments</b>
	<b>£000</b>	<b>£000</b>
Cost and carrying value:		
At 1 January 2014	5,750	5,750
<b>At 31 December 2014</b>	<b>5,750</b>	<b>5,750</b>
Cost and carrying value:		
At 1 January 2013	5,750	5,750
At 31 December 2013	5,750	5,750

The Group undertakings (unlisted) are all wholly owned subsidiary undertakings incorporated in England & Wales and have only one class of issued ordinary shares, as follows:

Friends Life FPLMA Limited	Insurance
Friends Provident Pension Scheme Trustees Limited	Corporate trustee company

**6. SHARE CAPITAL**

	<b>2014 £000</b>	<b>2013 £000</b>
<b>Authorised</b>		
300,000,000 ordinary shares of 25p each	<b>75,000</b>	75,000
<b>Allotted called up and fully paid</b>		
20,000,000 ordinary shares of 25p each	<b>5,000</b>	5,000

**7. RECONCILIATION OF MOVEMENTS IN TOTAL SHAREHOLDER'S FUNDS**

	<b>Share capital £000</b>	<b>Profit and loss account £000</b>	<b>Total shareholder's funds £000</b>
<b>Balance at 1 January 2014</b>	<b>5,000</b>	<b>1,083</b>	<b>6,083</b>
Profit for the year	-	20	20
<b>Balance at 31 December 2014</b>	<b>5,000</b>	<b>1,103</b>	<b>6,103</b>

	<b>Share capital £000</b>	<b>Profit and loss account £000</b>	<b>Total shareholder's funds £000</b>
Balance at 1 January 2013	5,000	1,001	6,001
Profit for the year	-	82	82
<b>Balance at 31 December 2013</b>	<b>5,000</b>	<b>1,083</b>	<b>6,083</b>

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**8. REMUNERATION OF DIRECTORS AND EMPLOYEES**

The directors are employed by, and receive their emoluments from, Friends Life Services Limited or Friends Life Management Services Limited. The directors holding office during the year consider that their services to the Company were incidental to their other duties within the Friends Life Group and accordingly no remuneration has been apportioned to the Company.

**9. RELATED PARTY TRANSACTIONS**

The Company is a wholly owned subsidiary of FPL. The results of the Company are consolidated in the results of Friends Life Group Limited ("FLGL") (formerly Resolution Limited) the Company's ultimate parent and controlling company, and Friends Life Holdings plc ("FLH") (formerly Friends Life Group plc) a UK based company, whose financial statements are publicly available. Accordingly, the Company is exempt from the requirements of FRS 8: *Related Party Disclosures*, concerning the disclosure of transactions with other companies that qualify as related parties within the Group.

There are no other material external related party transactions.

**10. ULTIMATE PARENT UNDERTAKING**

The Company's ultimate parent undertaking is FLGL, which is incorporated in Guernsey. Copies of the Group Report and Accounts of FLGL can be obtained from: [www.friendslifegroup.com](http://www.friendslifegroup.com)

The smallest Group in which the results of the company are consolidated is that headed by FLH. Copies of the Group Report and Accounts of FLH can also be obtained from: [www.friendslifegroup.com](http://www.friendslifegroup.com)

**11. POST BALANCE SHEET EVENTS**

On 19 January 2015, FLGL the ultimate parent company of the Company, published a Scheme of Arrangement ("the Scheme") document in relation to the proposed acquisition by Aviva plc of the entire ordinary share capital of FLGL. An Aviva Prospectus was issued by Aviva plc on the same day.

The proposed acquisition must be approved by FLGL's shareholders, Aviva's shareholders and the Guernsey Court. Subject to approval, the proposed acquisition will be completed by way of a Scheme of Arrangement in accordance with Guernsey company law. The Scheme will require shareholder approval at a meeting convened by order of the Guernsey Court ("the Court Meeting") and at an extraordinary general meeting of FLGL ("the General Meeting"). The Court Meeting and General Meeting will be held on 26 March 2015. If the proposed acquisition is approved by shareholders and the Court, the Scheme will become effective on 10 April 2015 and at that point the Company will become part of the Aviva Group.