

**1-5 LOWNDES SQUARE MANAGEMENT
COMPANY LIMITED
ANNUAL REPORT AND FINANCIAL
STATEMENTS
24 DECEMBER 2016**

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1-5 LOWNDES SQUARE MANAGEMENT COMPANY LIMITED

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1-5 LOWNDES SQUARE MANAGEMENT COMPANY LIMITED

COMPANY INFORMATION

Directors	Robert Awford Neil Gardiner Richard Levis
Company secretary	Aviva Company Secretarial Services Limited
Registered number	01842645
Registered office	St Helen's 1 Undershaft London EC3P 3DQ United Kingdom
Independent auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 7 More London Riverside London SE1 2RT United Kingdom
Legal form	Private limited company
Country of incorporation	United Kingdom

1-5 LOWNDES SQUARE MANAGEMENT COMPANY LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 24 DECEMBER 2016

The Directors have pleasure in submitting their report together with the audited financial statements for the year ended 24 December 2016.

Principal activities

The principal activity of 1-5 Lowndes Square Management Company Limited ("the Company") is to act as an intermediary vehicle for the administration of ground rent in respect of the leasehold interest in the property at 1-5 Lowndes Square, London SW1. Under the Company's lease with the freeholder, the Company is required to manage the service charge of the common parts of the underlying property for its own lessees, the residential tenants.

The Company until 10 April 2015 was part of the Friends Life Group of companies, and references to the Group are to the Group of companies formerly headed by Friends Life Group Limited. Following the acquisition of the Friends Life Group by Aviva plc the Company is now a subsidiary of Aviva Group of companies headed by Aviva plc.

Results and business review

Additional income of £nil (2015: £550,027) was recognised in the year as a result of amounts receivable from tenants in relation to leasehold enfranchisements. This enfranchisement income represents amounts receivable by the Company in consideration for agreements reached between the lessees and the freeholder to grant an extension of the underlying lease term. The company made a total comprehensive expense for the financial year of £477 (2015: income £432,213).

The results for the year and financial position of the Company are as shown in the financial statements.

Financial risk management

Due to the nature and principal activity of the Company, which exists to collate receipts of ground rent payable by tenants and pass these amounts to the freeholder, the Directors would normally expect any profit or loss earned by the Company in any given year will be marginal. Revenue earned from the leaseholder enfranchisement in the current and prior year does not represent any additional risk to the Company due to the amounts recognised in relation to each individual transaction being prescribed by a specific contractual agreement between the lessee and the freeholder. In particular, we note that the Company is not exposed to the credit risk arising from outstanding lease payments due from leaseholders on the basis that a fellow subsidiary of the Group provides a guarantee to cover any default amounts should they arise. As a result, the Directors consider that there are no principal risks affecting the Company.

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 Directors are satisfied that the company has adequate resources to continue in operational existence for the foreseeable future.

1-5 LOWNDES SQUARE MANAGEMENT COMPANY LIMITED

DIRECTORS' REPORT (continued) FOR THE YEAR ENDED 24 DECEMBER 2016

Future developments

No change to the activities of the company is anticipated in the foreseeable future.

Dividends

The Directors do not recommend the payment of a dividend for the financial year ended 24 December 2016 (2015: £nil).

Political and charitable contributions

During the year the Company made no political or charitable donations.

Directors

The Directors of the Company who served during the year were:

Pierre Biscay (resigned 17 November 2016)
David Blackwell (resigned 17 November 2016)
Graham Long (resigned 17 December 2016)
Robert Awford (appointed 17 November 2016)
Neil Gardiner (appointed 17 November 2016)
Richard Levis (appointed 17 November 2016)

Statement of disclosure of information to auditors

So far as each person who was a Director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditors in connection with preparing its report, of which the auditors are unaware. Having made enquiries of fellow Directors, each Director has taken all the steps that he is obliged to take as a Director in order to make himself aware of any relevant audit information and to establish that the auditors are aware of that information.

Independent auditors

It is the intention of the Directors to reappoint the auditors, PricewaterhouseCoopers LLP, under the deemed appointment rules of Section 487 of the Companies Act 2006.

Qualifying indemnity provisions

The Directors have the benefit of an indemnity provision contained in the Company's Articles of Association, subject to the conditions set out in the Companies Act 2006. This is a 'qualifying third party indemnity' provision as defined in Section 234 of the Companies Act 2006.

Events after the reporting date

There have been no significant events affecting the Company since the year end.

On behalf of the Board:



Robert Awford
Director

Date: 14/9/17

1-5 LOWNDES SQUARE MANAGEMENT COMPANY LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 24 DECEMBER 2016

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 prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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 of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies for the company's financial statements and then apply them consistently;
- state whether applicable UK Accounting Standards comprising FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgments and accounting estimates that are reasonable and prudent; 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.

The directors 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.

On behalf of the Board:



Robert Awford
Director

Date: 14/9/17

Independent auditors' report to the members of 1-5 Lowndes Square Management Company Limited

Report on the financial statements

Our opinion

In our opinion, 1-5 Lowndes Square Management Company Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 24 December 2016 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.
-

What we have audited

The financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), comprise:

- the Statement of Financial Position as at 24 December 2016;
- the Statement of Comprehensive Income for the year then ended;
- the Statement of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

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

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Entitlement to exemptions

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Directors' Responsibilities Statement in respect of the financial statements set out on page 4, 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) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). 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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

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.



Kevin S Rollo (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

14 September 2017

1-5 LOWNDES SQUARE MANAGEMENT COMPANY LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 24 DECEMBER 2016

	Note	2016 £	2015 £
Turnover	3	11,086	13,496
Administrative expenses	4	(11,653)	(21,451)
Other operating income	5	-	550,027
Operating (loss)/profit		(567)	542,072
Interest payable and similar charges		-	(6)
(Loss)/profit before tax		(567)	542,066
Tax on (loss)/profit on ordinary activities	6	90	(109,853)
(Loss)/profit for the year		(477)	432,213

All activities are derived from continuing operations.

The primary statements and notes on pages 7 to 16 form part of these financial statements.

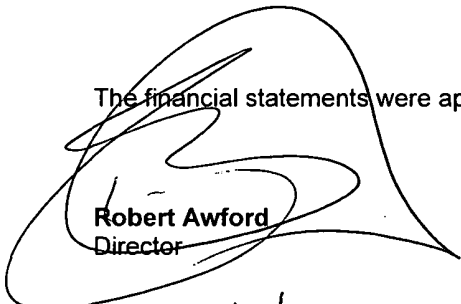
**1-5 LOWNDES SQUARE
MANAGEMENT COMPANY LIMITED**

REGISTERED NUMBER:01842645

**STATEMENT OF FINANCIAL POSITION
AS AT 24 DECEMBER 2016**

	Note	£	2016 £	£	2015 £
Current assets					
Debtors	7	2,751		5,286	
Cash at bank and in hand	8	538,621		544,506	
		<u>541,372</u>		<u>549,792</u>	
Creditors: amounts falling due within one year	9	(112,653)		(120,596)	
Net current assets			428,719		429,196
Net assets			<u>428,719</u>		<u>429,196</u>
Capital and reserves					
Called up share capital	10		26		26
Retained earnings			428,693		429,170
			<u>428,719</u>		<u>429,196</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:


Robert Awford
Director

Date: 14/9/17

The primary statements and notes on pages 7 to 16 form part of these financial statements.

1-5 LOWNDES SQUARE MANAGEMENT COMPANY LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 24 DECEMBER 2016

	Called up share capital £	Retained earnings £	Total equity £
Balance as at 25 December 2014	26	(3,043)	(3,017)
Profit and total comprehensive income for the financial year	-	432,213	432,213
Balance as at 24 December 2015 and 25 December 2015	26	429,170	429,196
Loss and total comprehensive expense for the financial year	-	(477)	(477)
Balance as at 24 December 2016	26	428,693	428,719

The primary statements and notes on pages 7 to 16 form part of these financial statements.

1-5 LOWNDES SQUARE MANAGEMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 24 DECEMBER 2016

1. General information

1-5 Lowndes Square Management Company Limited ("the Company") acts as an intermediary vehicle for the administration of ground rent in respect of the leasehold interest in the property at 1-5 Lowndes Square, London SW1.

The Company is registered as a private company limited by its shares and its registered address is St Helen's, 1 Undershaft, London, EC3P 3DQ.

2. Accounting policies

The principal accounting policies are set out below.

2.1 Statement of Compliance with FRS 102

These financial statements have been prepared in accordance with FRS 102 The Financial Reporting Standard Applicable in the UK and Republic of Ireland ("FRS 102").

2.2 Basis of preparation

The financial statements have been prepared in accordance with the Companies Act 2006, under the historical costs convention and on a going concern basis. The accounting policies have been consistently applied throughout the year and are consistent with those applied in previous years.

These financial statements have been presented in British Pounds as this is the Company's functional currency, being the primary economic environment in which it operates.

2.3 Strategic report

A strategic report has not been included in these audited financial statements as the Company qualifies for exemption as a small entity under Section 382 of the Companies Act 2006 relating to small entities.

2.4 Cash flow statement

A cash flow statement has not been included in these financial statements as the Company qualifies for exemption under FRS 102, Section 1A.4.

2.5 Critical accounting judgments and estimation uncertainty

Any estimates and judgments are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

2.6 Income and expenses

Income and expenses are recognised in the financial statements on an accruals basis.

2.7 Service charge

The company manages the service charge of the common parts of the building for the residential tenants. Under the Section 42 of the Landlord and Tenant Act 1987, a statutory trust is created for the monies held on behalf of the tenants for this purpose. Accordingly, none of the transactions associated with the service charge activity are shown in the financial statements.

1-5 LOWNDES SQUARE MANAGEMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 24 DECEMBER 2016

2. Accounting policies (continued)

2.8 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 Directors are satisfied that the Company has adequate resources to continue in operational existence for the foreseeable future.

2.9 Finance costs

Finance costs are charged to the Statement of comprehensive income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.10 Taxation

Current Tax

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 comprehensive income, or equity, as applicable.

Deferred Tax

Deferred taxation is recognised on temporary differences arising between tax bases of assets and liabilities and their carrying amounts in the financial statements. The tax rates used are the rates that have been enacted or substantively enacted at the balance sheet date.

Full provision is made for the deferred tax liabilities. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against of which the temporary differences can be utilised.

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 taxation is recognised in the statement of comprehensive income, or equity, as applicable.

2.11 Interest receivable and similar income distributions

Interest receivable and similar income is recognised on an accruals basis.

2.12 Share Capital

Ordinary shares are classed as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, of the proceeds.

1-5 LOWNDES SQUARE MANAGEMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 24 DECEMBER 2016

3. Turnover

	2016 £	2015 £
Rent receivable from tenants	11,086	13,496

All income is derived from operations performed in the United Kingdom and is recognised net of any VAT.

4. Administrative expenses

	2016 £	2015 £
Rent payable to freeholder	11,086	14,750
Other expenses	567	6,701
	11,653	21,451

Audit fees of £2,000 (2015: £2,000) plus non-recoverable VAT have been borne by a fellow subsidiary of the Group and were not recharged to the Company (2015: same).

The auditors did not provide any non-audit services to the Company during the year (2015: none).

5. Other income

	2016 £	2015 £
Leasehold enfranchisements	-	550,027

Other income of £nil was recognised in the year (2015: £550,027) as a result of amount receivable from tenants in relation to leasehold enfranchisements.

6. Tax on profit/(loss) on ordinary activities

	2016 £	2015 £
Analysis of tax (credit)/charge for the year		
Corporation tax		
UK corporation tax (credit)/charge on (loss)/profit for the year	(3)	109,854
Adjustments in respect of prior periods	(87)	(1)
Total current tax	(90)	109,853

1-5 LOWNDES SQUARE MANAGEMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 24 DECEMBER 2016

6. Tax on profit/(loss) on ordinary activities (continued)

Factors affecting tax credit for the year

The tax on the Company's loss on ordinary activities before taxation is the same (2015: lower) as the theoretical amount that would arise using the tax rate 20% (2015: 20.27%) in the United Kingdom as follows:

	2016 £	2015 £
(Loss)/profit on ordinary activities before tax	(567)	542,066
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.00% (2015 -20.27%)	(113)	109,854
Adjustments in respect of prior periods	(87)	(1)
Disallowable expenses	110	-
Total tax charge for the year	(90)	109,853

Finance (No 2) Act 2015 introduced legislation reducing the rate of corporation tax from 20% at 1 April 2016 to 19% from 1 April 2017 and to 18% from 1 April 2020. Finance Act 2016, which received Royal Assent on 15 September 2016, will reduce the corporation tax rate further to 17% from 1 April 2020.

7. Debtors

	2016 £	2015 £
Trade debtors	2,200	1,600
Other debtors	551	2,634
Group relief debtor	-	1,052
	2,751	5,286

Financial assets have been measured at amortised cost.

1-5 LOWNDES SQUARE MANAGEMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 24 DECEMBER 2016

8. Cash at bank and in hand

Cash and cash equivalents comprise the following:

	2016 £	2015 £
Cash at bank and in hand	<u>538,621</u>	<u>544,506</u>

Financial assets have been measured at amortised cost.

9. Creditors: amounts falling due within one year

	2016 £	2015 £
Amounts owed to group undertakings	-	6,369
Tenant deposits	-	1,422
Group relief creditor	109,853	109,854
Accruals	2,800	2,951
	<u>112,653</u>	<u>120,596</u>

Amounts owed to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

Financial liabilities have been measured at amortised cost.

10. Called up share capital

	2016 £	2015 £
Issued:		
26 (2015: 26) "A" ordinary shares of £0.25 each, fully paid	6	6
78 (2015: 78) "B" ordinary shares of £0.25 each, fully paid	20	20
	<u>26</u>	<u>26</u>

The voting rights and dividend entitlements of the holders of all ordinary shares are the same and all the ordinary shares rank pari passu on a winding up of the company.

1-5 LOWNDES SQUARE MANAGEMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 24 DECEMBER 2016

11. Staff costs

The monthly average number of employees of the Company during the year was nil (2015: nil). Staff costs for the year were £nil (2015: £nil).

Costs associated with the administration of the Company were borne by Friends Life Services Limited, a fellow subsidiary of the Group, and were not recharged to the Company (2015: the same).

12. Related party transactions

During the year, the Company was charged ground rent of £11,086 (2015: £14,750), by its parent Company, Friends Life Group Limited, the freehold owner of the property. In turn, the Company charged ground rent of £11,086 (2015: £13,496) to its lessees, who are all shareholders of the Company. Of this balance, £400 (2015: £400) was payable by Friends SL Nominees Limited, as both a lessee and a fellow subsidiary of the Company.

Amounts due from and to related parties at the year-end were as follows:

	2016 £	2015 £
Amounts due from Minority shareholders	<u>2,200</u>	<u>1,600</u>

	2016 £	2015 £
Amounts due to the parent Company	<u>-</u>	<u>6,369</u>

13. Directors' emoluments

The Directors are employed by, and receive their emoluments from, Friends Life Services Limited, Friends Life Management Services Limited or Aviva Employment Services Limited. The Directors holding office during the year consider their services to the Company were incidental to their other within the Group and accordingly no remuneration has been apportioned to the Company (2015: none).

1-5 LOWNDES SQUARE MANAGEMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 24 DECEMBER 2016

14. Immediate and ultimate parent

The immediate parent undertaking of the Company is Friends SL Nominees Limited.

The ultimate parent undertaking and controlling party of the Company is Aviva plc, a company incorporated in the United Kingdom.

Aviva plc is the parent undertaking of both the largest and smallest group of undertakings to consolidate these financial statements at 31 December 2016. The consolidated financial statements of Aviva plc are available at www.aviva.com or are on application to the:

Group Company Secretary
Aviva plc
St. Helen's
1 Undershaft
London
EC3P 3DQ

15. Events after the reporting date

Events after the end of the reporting period have been evaluated up to the date the financial statements were approved and authorised for issue by the Directors and there were no significant events after the reporting period that have a bearing on the understanding of these financial statements, except as already disclosed or adjusted in these financial statements.