

Registered in England and Wales: No. 01842650

**44-49 LOWNDES SQUARE MANAGEMENT
COMPANY LIMITED
ANNUAL REPORT AND FINANCIAL
STATEMENTS
24 DECEMBER 2020**



44-49 LOWNDES SQUARE MANAGEMENT COMPANY LIMITED

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44-49 LOWNDES SQUARE MANAGEMENT COMPANY LIMITED

COMPANY INFORMATION

| | |
|---------------------------------|--|
| Directors | Neil Gardiner Carl Williams |
| Company secretary | Aviva Company Secretarial Services Limited |
| Registered number | 01842650 |
| Registered office | St Helen's 1 Undershaft London EC3P 3DQ United Kingdom |
| Independent Auditors | PricewaterhouseCoopers LLP 7 More London Riverside London SE1 2RT United Kingdom |
| Legal form | Private limited company |
| Country of incorporation | United Kingdom |

44-49 LOWNDES SQUARE MANAGEMENT COMPANY LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 24 DECEMBER 2020

The Directors have the pleasure in submitting their report together with the audited financial statements for the year ended 24 December 2020.

Principal activities

The principal activity of 44-49 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 44-49 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.

Results and business review

Additional income of £12,539 (2019: £393,338) was recognised during 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 profit for the financial year of £15,174 (2019: £600,428).

The results for the year and financial position of the Company are 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 (Aviva plc and subsidiaries) provides a guarantee to cover any default amounts should they arise. As a result, and on the basis that Aviva Life & Pensions has the ability to honour the guarantee, the Directors consider that there are no principal risks affecting the Company.

COVID-19

On January 30, 2020, the World Health Organisation ('WHO') declared the coronavirus (COVID-19) a public health emergency, shortly followed by declaring a Global Pandemic on 11 March 2020. This had an unprecedented impact on economies and real estate markets globally. The UK Government response to this being to initiate various emergency measures to protect occupiers and support businesses, such as the introduction of a furlough scheme and the government moratorium. In addition, the UK Government imposed various lockdowns throughout the year with the introduction of social distancing requirements and a ban on foreign travel, all of which added further stresses and demands to the economy.

Post entering into the third lockdown in late December 2020 the Government has put in place a roadmap to ease restrictions which included the roll out of the vaccination plan.

Whilst it is still not possible to fully assess the longer-term impact on specific industries or their constituents at this stage, the Directors believe the Company has a strong balance sheet and the right strategy in place to mitigate against the worst consequences of the outbreak. The Directors will continue to monitor the COVID-19 situation closely and act accordingly to protect the interests of investors.

44-49 LOWNDES SQUARE MANAGEMENT COMPANY LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 24 DECEMBER 2020

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.

Future developments

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

Dividends

The Directors do not recommend a dividend for the financial year ended 24 December 2020 (2019: £nil).

Director

The Directors who served during the year were:

Neil Gardiner

Carl Williams (appointed 26 March 2020)

Political and charitable contributions

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

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 independent auditors, PricewaterhouseCoopers LLP, under the deemed appointment rules of Section 487 of the Companies Act 2006.

44-49 LOWNDES SQUARE MANAGEMENT COMPANY LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 24 DECEMBER 2020

Qualifying indemnity provisions

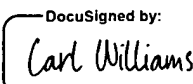
The Directors have the benefit of an indemnity provision contained in the Company's Articles of Association, subject to the conditions set out in the Companies Act 2006. This is a 'qualifying third party indemnity' provision as defined in Section 234 of the Companies Act 2006.

Aviva plc, the Company's ultimate parent, granted in 2004 an indemnity to the Directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 1985 (which continue to apply in relation to any provision made before 1 October 2007). This has applied to the Directors of the Company since incorporation. This indemnity is a 'qualifying third party indemnity' for the purposes of Sections 309A to 309C of the Companies Act 1985. These qualifying third party indemnity provisions remain in force as at the date of approving the Directors' Report by virtue of paragraph 15, Schedule 3 of The Companies Act 2006 (Commencement No. 3, Consequential Amendments, Transitional Provisions and Savings) Order 2007.

Events after the reporting financial period

Events after the reporting financial year have been evaluated up to the date the audited financial statements were approved and authorised for issue by the Directors and there are no material events to be disclosed or adjusted for in these audited financial statements.

On behalf of the Board:

DocuSigned by:

5382574CD8734BB...
Carl Williams
Director

Date: 15 September 2021

44-49 LOWNDES SQUARE MANAGEMENT COMPANY LIMITED

DIRECTORS' REPORT (Continued) FOR THE YEAR ENDED 24 DECEMBER 2020

Statement of Directors' Responsibilities in respect of the financial statements

The Directors are responsible for preparing the Directors' 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 he is 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 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 judgements 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 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.

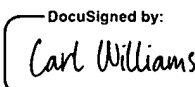
The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Directors' confirmations

In the case of each Director in office at the date the Director's Report is approved:

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

On behalf of the Board:

DocuSigned by:

5382574C08734BB...
Carl Williams
Director

44-49 LOWNDES SQUARE MANAGEMENT COMPANY LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF 44-49 LOWNDES SQUARE MANAGEMENT COMPANY LIMITED (CONTINUED) FOR THE YEAR ENDED 24 DECEMBER 2020

Report on the audit of the financial statements

Opinion

In our opinion, 44-49 Lowndes Square Management Company Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 24 December 2020 and of its profit for the year then ended;
- have been properly prepared 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); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Statement of Financial Position as at 24 December 2020; the Statement of Comprehensive Income and the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

44-49 LOWNDES SQUARE MANAGEMENT COMPANY LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF 44-49 LOWNDES SQUARE MANAGEMENT COMPANY LIMITED (CONTINUED) FOR THE YEAR ENDED 24 DECEMBER 2020

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' Report for the year ended 24 December 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to the Companies Act 2006, and we considered the extent to which non-compliance might have a material effect on the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to increase revenue of the Company. Audit procedures performed by the engagement team included:

44-49 LOWNDES SQUARE MANAGEMENT COMPANY LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF 44-49 LOWNDES SQUARE MANAGEMENT COMPANY LIMITED (CONTINUED) FOR THE YEAR ENDED 24 DECEMBER 2020

-
- Discussions with management, including consideration of known or suspected instances of non compliance with laws and regulation and fraud;
 - Reviewing relevant Board meeting minutes;
 - Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations, entries posted containing unusual account descriptions, and entries posted with unusual amounts; and
 - Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

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.

Other required reporting

Companies Act 2006 exception reporting

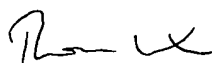
Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

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 in preparing the Directors' Report; and take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.



Thomas Norrie (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
15 September 2021

44-49 LOWNDES SQUARE MANAGEMENT COMPANY LIMITED**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 24 DECEMBER 2020**

| | Note | 2020 £ | 2019 £ |
|---|------|-----------------|-----------|
| Turnover | 3 | 48,019 | 48,600 |
| Administrative expenses | 4 | (49,184) | (57,671) |
| Other operating income | | 12,539 | 393,338 |
| Operating profit | | 11,374 | 384,267 |
| Interest receivable and similar income | | 3,800 | 3,792 |
| Profit before taxation | | 15,174 | 388,059 |
| Tax on profit | 6 | - | 212,369 |
| Profit and total comprehensive income for the financial year | | 15,174 | 600,428 |

All amounts reported in the Statement of Comprehensive Income for the years ended 31 December 2020 and 31 December 2019 relate to continuing operations.

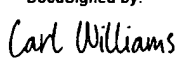
The primary statements and notes on pages 9 to 20 form part of these financial statements.

44-49 LOWNDES SQUARE MANAGEMENT COMPANY LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 24 DECEMBER 2020

| | Note | £ | 2020 £ | £ | 2019 £ |
|---|------|------------------|-------------------------|------------------|-------------------------|
| Current assets | | | | | |
| Debtors | 7 | 17,660 | | 119,315 | |
| Cash at bank and in hand | 8 | 1,708,597 | | 1,591,968 | |
| | | <u>1,726,257</u> | | <u>1,711,283</u> | |
| Creditors: amounts falling due within one year | 9 | (37,949) | | (38,149) | |
| Net current assets | | | <u>1,688,308</u> | | <u>1,673,134</u> |
| Net assets | | | <u><u>1,688,308</u></u> | | <u><u>1,673,134</u></u> |
| Capital and reserves | | | | | |
| Called up share capital | 10 | | 87 | | 87 |
| Retained earnings | | | 1,688,221 | | 1,673,047 |
| Total equity | | | <u><u>1,688,308</u></u> | | <u><u>1,673,134</u></u> |

These financial statements on pages 9 to 20 were approved and authorised for issue by the Board and were signed on its behalf by:

DocuSigned by:

 5382674C98734BB...
Carl Williams
 Director

Date: 15 September 2021

The primary statements and notes on pages 9 to 20 form part of these financial statements.

44-49 LOWNDES SQUARE MANAGEMENT COMPANY LIMITED**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 24 DECEMBER 2020**

| | Called up share capital | Retained earnings | Total equity |
|--|------------------------------------|------------------------------|---------------------|
| | £ | £ | £ |
| Balance as at 25 December 2018 (as restated) | 87 | 1,072,619 | 1,072,706 |
| Profit and total comprehensive income for the financial year | - | 600,428 | 600,428 |
| Balance as at 24 December 2019 and 25 December 2019 | 87 | 1,673,047 | 1,673,134 |
| Profit and total comprehensive income for the financial year | - | 15,174 | 15,174 |
| Balance as at 24 December 2020 | 87 | 1,688,221 | 1,688,308 |

The primary statements and notes on pages 9 to 20 form part of these financial statements.

44-49 LOWNDES SQUARE MANAGEMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 24 DECEMBER 2020

1. General information

44-49 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 44-49 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 summarised below. They have all been applied consistently throughout the year and the preceding year.

2.1 Statement of Compliance with FRS 102

The Company's financial statements have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

2.2 Basis of preparation

The financial statements have been prepared 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 Critical accounting judgements and estimation uncertainty

Any estimates and judgements 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.

The Directors confirm that no critical accounting judgments have been made in relation to the 2020 accounts.

2.4 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.

2.5 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 414B of the Companies Act 2006 relating to small entities. The Directors' report has been prepared with reduced disclosures in accordance with the provisions applicable to companies entitled to the small companies exemption in section 415A of the Companies Act 2006.

44-49 LOWNDES SQUARE MANAGEMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 24 DECEMBER 2020

2. Accounting policies (continued)

2.6 Cash flow statement

The Company has taken advantage of the exemption under FRS 102 1.12(b) from preparing a statement of cash flows, on the basis that it is a qualifying entity and the Company's cash flows are included within the consolidated statement of cash flows of its ultimate parent company, Aviva plc.

2.7 Income and expenses

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

2.8 Interest receivable and similar income distributions

Interest receivable on cash at bank is recognised on an accruals basis. Other interest receivable and similar income is recognised in the Statement of Comprehensive Income using the effective interest rate method.

2.9 Financial instruments

The Company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

(i) Financial assets

Financial assets, including trade and other debtors, are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

Basic financial assets, including other receivables, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised costs using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the Statement of Comprehensive Income.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in the Statement of Comprehensive Income.

44-49 LOWNDES SQUARE MANAGEMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 24 DECEMBER 2020

2. Accounting policies (continued)

2.9 Financial instruments (continued)

Financial assets (continued)

Financial assets that are classified as receivable within one year are measured at the undiscounted amount of the cash or other consideration expected to be received, net of impairment.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

(ii) Financial liabilities

Financial liabilities, including trade and other creditors, are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

Basic financial liabilities are initially measured at transaction price (including transaction costs), except for those financial liabilities classified as at fair value through the Statement of Comprehensive Income, which are initially measured at fair value (which is normally the transaction price excluding transaction costs).

Commitments to make payments which meet the conditions above are measured at cost (which may be nil) less impairment.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

(iii) Offsetting

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.10 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

44-49 LOWNDES SQUARE MANAGEMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 24 DECEMBER 2020

2. Accounting policies (continued)

2.11 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 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.

2.12 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.

2.13 Lease premium extension

The onerous lease obligation arises from the extension of tenants' leases in accordance with the Leasehold Reform, Housing and Urban Development Act 1993, which required the new lease to be granted at nil ground rent. The provision is calculated as the present value of the contracted ground rent payable under the Company's head lease, which cannot be recovered from tenants in respect of such extended leases. Movements in the net present value of the lease obligation are recognised in the profit and loss account, within other operating income.

3. Turnover

| | 2020 £ | 2019 £ |
|------------------------------|---------------|---------------|
| Rent receivable from tenants | <u>48,019</u> | <u>48,600</u> |

All income is derived from operations performed in the United Kingdom and is recognised net of any VAT. Income is recognised net of rebates due to lessees in respect of ground rent receivable by the Company.

44-49 LOWNDES SQUARE MANAGEMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 24 DECEMBER 2020

4. Administrative expenses

| | 2020 £ | 2019 £ |
|--------------------------------|---------------|---------------|
| Rent payable to the freeholder | 48,019 | 52,230 |
| Professional fees | 1,165 | 5,441 |
| | <u>49,184</u> | <u>57,671</u> |

Audit fees of £8,320 (2019: £2,390) plus non-recoverable VAT have been borne by a fellow subsidiary of the Friends Life Group and were not recharged to the Company (2019: none).

The auditors did not provide any non-audit services to the Company during the year (2019: none).

5. Other operating income

| | 2020 £ | 2019 £ |
|-----------------------|---------------|----------------|
| Lease enfranchisement | 12,500 | 392,925 |
| Other income | 39 | 413 |
| | <u>12,539</u> | <u>393,338</u> |

Other income of £12,500 was recognised in the year (2019: £392,925) as a result of amounts receivable from tenants in relation to leasehold enfranchisement.

6. Tax on profit

Analysis of tax charge for the year

| | 2020 £ | 2019 £ |
|---|-----------|------------------|
| Current tax: | | |
| UK corporation tax charge on profit for the year | - | (54) |
| UK corporation tax charge on profit for prior periods | - | (212,315) |
| Tax charge for the year | <u>-</u> | <u>(212,369)</u> |

44-49 LOWNDES SQUARE MANAGEMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 24 DECEMBER 2020

6. Tax on profit (continued)

Factors affecting tax charge for the year

The tax on the Company's profit before taxation is lower than (2019: lower than) the theoretical amount that would arise using the tax rate 19.00% (2019: 19.00%) in the United Kingdom as follows:

| | 2019 £ | 2019 £ |
|--|-----------|------------------|
| Profit before taxation | 15,174 | 388,059 |
| Profit before taxation multiplied by standard rate of corporation tax in the UK of 19.00% (2019: 19.00%) | 2,883 | 73,731 |
| Income not taxable for tax purposes | (2,883) | (74,656) |
| Expenses not deductible for tax purposes | - | 871 |
| Group relief surrendered/(claimed) | - | 54 |
| (Receipt)/payment for group relief | - | (54) |
| Adjustments in respect of prior periods | - | (212,315) |
| Total tax charge for the year | - | (212,369) |

During 2020, the reduction in the UK corporation tax rate that was due to take effect from 1 April 2020 was cancelled and as a result, the rate has remained at 19%. There is no impact on the Company's net assets as a consequence of this amendment.

In the Budget of 3 March 2021, the UK Government announced that the UK corporation tax rate will increase to 25% from 1 April 2023. As of 31 December 2020, this measure had not been substantively enacted and therefore no impact is reflected in the calculation of the Company's deferred tax assets and liabilities as at 31 December 2020. There is no impact on the Company's net assets as a consequence of this amendment.

7. Debtors

| | 2020 £ | 2019 £ |
|------------------------------------|---------------|----------------|
| Trade debtors | 9,485 | 7,150 |
| Amounts owed by group undertakings | 360 | 101,869 |
| Other debtors | 7,815 | 10,296 |
| | 17,660 | 119,315 |

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

44-49 LOWNDES SQUARE MANAGEMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 24 DECEMBER 2020

8. Cash at bank and in hand

Cash and cash equivalents comprise the following:

| | 2020 £ | 2019 £ |
|--------------------------|------------------|-----------|
| Cash at bank and in hand | 1,708,597 | 1,591,968 |

9. Creditors: amounts falling due within one year

| | 2020 £ | 2019 £ |
|------------------------------------|---------------|-----------|
| Amounts owed to group undertakings | 22,316 | 22,316 |
| Trade creditors | 15,633 | 15,833 |
| | 37,949 | 38,149 |

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

10. Called up share capital

| | 2020 £ | 2019 £ |
|--|-----------|-----------|
| Issued: | | |
| 87 "A" (2019 - 87) ordinary shares of £0.25 each, fully paid | 22 | 22 |
| 261 "B" (2019 - 261) ordinary shares of £0.25 each, fully paid | 65 | 65 |
| | 87 | 87 |

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.

44-49 LOWNDES SQUARE MANAGEMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 24 DECEMBER 2020

11. Staff costs

The monthly average number of employees of the Company during the year was nil (2019: nil). Staff costs for the year were £nil (2019: £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 (2019: the same). The administration fees are charged under normal market conditions.

12. Related party transactions

During the year, the Company was charged ground rent of £48,019 (2019: £52,230), by Aviva Life & Pensions UK Limited, the freehold owner of the property. In turn, the Company charged ground rent of £48,019 (2019: £48,600) to its lessees, who are all shareholders in the Company. In addition, as disclosed in Note 7, an amount of £9,485 (2019: £7,150) is due from the leaseholders, minority shareholders to the Company.

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

| | 2020 £ | 2019 £ |
|--|-----------------|-----------------|
| Amounts due from minority shareholders | 9,485 | 7,150 |
| Amounts owed by group undertakings | 360 | 101,869 |
| Amounts owed to group undertakings | <u>(22,316)</u> | <u>(22,316)</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 (2019: none).~~

14. Ultimate parent undertaking & controlling party

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 2020. 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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 24 DECEMBER 2020

15. Events after the reporting date

Events after the reporting financial year have been evaluated up to the date the audited financial statements were approved and authorised for issue by the Directors and there are no material events to be disclosed or adjusted for in these audited financial statements.