

Company No. 05045000

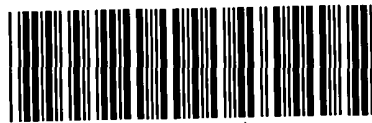


LEGAL & GENERAL PARTNERSHIP SERVICES LIMITED

FINANCIAL STATEMENTS

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LEGAL & GENERAL PARTNERSHIP SERVICES LIMITED

CONTENTS

Page

2	Strategic Report
4	Directors' Report
6	Independent Auditors' Report
9	Statement of Comprehensive Income
10	Balance Sheet
11	Statement of Changes in Equity
12	Notes to Financial Statements

Registered Office:
One Coleman Street
London EC2R 5AA

Registered in England & Wales Number: 05045000

LEGAL & GENERAL PARTNERSHIP SERVICES LIMITED

STRATEGIC REPORT

The directors present their strategic report on Legal & General Partnership Services Limited ("the Company") for the year ended 31 December 2017.

Principal activities

Legal & General Partnership Services Limited is a company limited by shares. The Company's principal activities are the arrangement of mortgages and non-investment business (including general insurance and life assurance) and its main source of income is from mortgage and life assurance commission and fees. All revenue is generated from business activities conducted in the UK.

The Company operates in its country of incorporation, England & Wales. The Company's registered office is at One Coleman Street, London, EC2R 5AA and it is registered in England and Wales under company number 05045000 and domiciled in the United Kingdom.

The Company is regulated by the Financial Conduct Authority.

Review of business and future developments

The results for the Company show a profit before income taxation of £5.5m (2016: £3.3m), a pleasing result helped by the growth in mortgage completions and an increasing share of the intermediary mortgage market. Like for like business is up, and there is incremental income coming from product transfer business as mortgage lenders commenced payment of procurement fees on product transfers. The mortgage market is expected to remain stable in 2018, but with less buy to let business, and increased remortgage, first time buyers and product transfers.

During the year, the Company ceased to arrange life assurance business on behalf of Directly Authorised brokers.

The Company's principal activities will continue to be centred on housing and mortgage markets, with a continued focus on intermediary distribution and excellent customer service.

The Company does not have direct employees since all staff are employed by a fellow subsidiary of Legal & General Group Plc. The Company is recharged a proportion of the staff costs.

Financial key performance indicators

In addition to profit on ordinary activities before taxation (see page 9), the remaining Financial KPIs of the Company are as follows:

Total equity of £28.5m as at 31 December 2017 (2016: £24.1m). This improvement is the result of a good trading performance during the year driven by increasing margins.

LEGAL & GENERAL PARTNERSHIP SERVICES LIMITED

STRATEGIC REPORT (continued)

Principal risks and uncertainties

The principal risks and uncertainties facing the Company are:

Legislation and regulation

The financial services markets in which the Company operates are highly regulated. The Company's activities are based upon prevailing regulations with continuous monitoring to ensure that the Company meets its regulatory obligations. In particular, the provision of advice on the purchase of financial services products is a significant aspect of the company's business, with the company being inherently exposed to the risk that advice may be assessed against differing criteria over time. Whilst the potential for change is continuously identified and analysed, changes in legislation and differing interpretation and application of current regulation over time may have a detrimental effect on the Company's strategy and profitability.

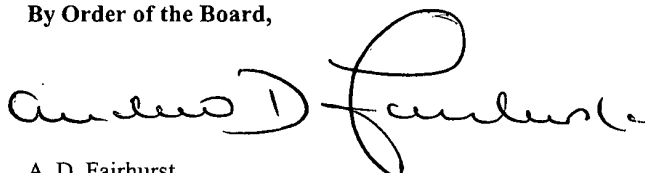
Confidence in the financial sector

The Company has followed a strategy of offering value for money products to its customers and continually improving the customer's overall experience. However, the market is also influenced by matters beyond the Company's control. Factors include the overall image of the financial services industry as a whole and shock events within the sector can impact customer engagement, impacting earnings and profitability of the Company.

Market and economic conditions

The Company's principal activity is closely linked to the UK housing market. Uncertainty and significant falls or changes in this market may impact the Company's earnings and profitability. The Company takes steps to review market and economic conditions, updating long term planning models including pessimistic scenarios.

By Order of the Board,



A. D. Fairhurst
For and on behalf of Legal & General Co Sec Limited
Company Secretary
19th April 2018

LEGAL & GENERAL PARTNERSHIP SERVICES LIMITED

DIRECTORS' REPORT

The directors present their annual report together with the audited financial statements of the Company for the year ended 31 December 2017.

Result for the year and dividend

The results of the Company are set out on page 9. The directors do not recommend the payment of a dividend (2016: £nil).

Future developments

Future developments are detailed in the Strategic Report on page 2.

Directorate

The directors of the Company, who were in office during the year and up to the date of signing the financial statements are shown below:

R. A. Beer (Resigned 30/06/17)
S. C. A. Smith (Resigned 31/12/17)
M. Holweger (Chairman)
C. J. Wren-Kirkham (Resigned 02/08/17)
J. M. Duncombe (Appointed 16/05/17)
M. Groot-Wassink (Appointed 02/08/17)

Since 31 December 2017, the following changes to the directorate were made:

J. M. Duncombe (Resigned 13/03/18)
M. Holweger (Chairman) (Resigned 21/03/18)
K. M. Roberts (Appointed 21/03/18)
M. Groot-Wassink (Appointed Chairman 21/03/18)

Directors' indemnities and insurance

As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 236 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The ultimate parent company, Legal & General Group Plc maintains an appropriate level of Directors and Officers' liability insurance which is reviewed annually.

Independent auditors

PricewaterhouseCoopers LLP are expected to continue as external auditors of the Company until the Annual General Meeting of Legal & General Group plc on 17 May 2018 at which point they are expected to resign as auditors of the Company and Group. KPMG LLP are expected to be formally appointed as auditors of the Company and Group from this date.

LEGAL & GENERAL PARTNERSHIP SERVICES LIMITED

DIRECTORS' REPORT (continued)

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic Report and 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, including FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify the Company's shareholders in writing about the use of disclosure exemptions, if any, of FRS 101 used in the preparation of 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.

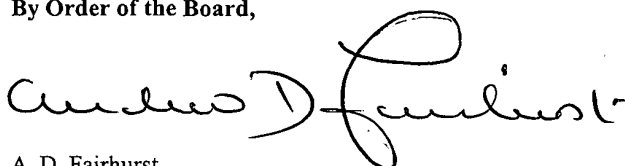
The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies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

Disclosure of information to auditors

Each of the directors, who held office at the date the Director's report is approved, confirms that:

- (a) so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- (b) he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

By Order of the Board,



A. D. Fairhurst
For and on behalf of Legal & General Co Sec Limited
Company Secretary
19th April 2018

LEGAL & GENERAL PARTNERSHIP SERVICES LIMITED
INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LEGAL & GENERAL
PARTNERSHIP SERVICES LIMITED

Report on the audit of the financial statements

Opinion

In our opinion, Legal & General Partnership Services Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 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 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, including within the Financial Statements (the "Annual Report"), which comprise: the Balance Sheet, the Statement of Comprehensive Income, the Statement of Changes in Equity; 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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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

LEGAL & GENERAL PARTNERSHIP SERVICES LIMITED
INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LEGAL & GENERAL
PARTNERSHIP SERVICES LIMITED (continued)

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.

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

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2017 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 Strategic Report and 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 set out on page 5, 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.

LEGAL & GENERAL PARTNERSHIP SERVICES LIMITED
INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LEGAL & GENERAL
PARTNERSHIP SERVICES LIMITED (continued)

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.

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.

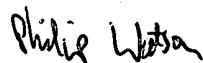
Other required reporting

Companies Act 2006 exception reporting

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

- we have not received 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 or 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.



Philip Watson
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
19th April 2018

LEGAL & GENERAL PARTNERSHIP SERVICES LIMITED
STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

Co. No. 05045000

	Note	2017 £	2016 £
Revenue	1d	78,478,480	113,657,038
Cost of sales	1h	(63,081,141)	(93,410,076)
Gross profit		<u>15,397,339</u>	<u>20,246,962</u>
Administrative expenses		(9,876,518)	(16,853,560)
Operating profit		<u>5,520,821</u>	<u>3,393,402</u>
Finance income	4	31,171	52,881
Finance costs	5	(56,484)	(130,279)
Profit before income tax	6	<u>5,495,508</u>	<u>3,316,004</u>
Income tax expense	8	(1,044,489)	(673,996)
Profit for the financial year and total comprehensive income		<u>4,451,019</u>	<u>2,642,008</u>
Total comprehensive income for the year		<u>4,451,019</u>	<u>2,642,008</u>

There were no gain or losses in the year other than those included in the above Statement of Comprehensive Income

The notes on pages 12 to 19 form an integral part of these financial statements.

LEGAL & GENERAL PARTNERSHIP SERVICES LIMITED
BALANCE SHEET

As at 31 December 2017

Co. No. 05045000

	Note	2017 £	2016 £
Assets			
Non-current assets			
Deferred tax assets	10	190,959	292,171
Trade receivables	9	30,358	57,280
Current assets			
Trade receivables	9	63,501,973	57,972,500
Prepayments and accrued income		10,268	18,206
Cash and cash equivalents		318,723	291,850
Total assets		64,052,281	58,632,007
Liabilities			
Non-current liabilities			
Provision for commission reclaims	12	(142,889)	(286,899)
Amounts owed to group undertakings	11	(3,671,859)	(3,382,285)
Current liabilities			
Trade payables	11	(31,096,420)	(29,930,118)
Provisions	12	(600,229)	(942,840)
Total liabilities		(35,511,397)	(34,542,142)
Net assets		28,540,884	24,089,865
Equity			
Called up share capital	13	20,001	20,001
Share premium account		1,980,000	1,980,000
Retained earnings		26,540,883	22,089,864
Total equity		28,540,884	24,089,865

The notes on pages 12 to 19 form an integral part of these financial statements.

The financial statements on pages 9 to 19 were authorised by the board of directors on the 19th April 2018 and were signed on its behalf by



M. Groot Wassink, Director

LEGAL & GENERAL PARTNERSHIP SERVICES LIMITED
STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

Co. No. 05045000

For the year ended 31 December 2017

	Called up share capital £	Share premium account £	Retained earnings £	Total equity £
As at 1 January 2017	20,001	1,980,000	22,089,864	24,089,865
Profit for the financial year	-	-	4,451,019	4,451,019
As at 31 December 2017	20,001	1,980,000	26,540,883	28,540,884

For the year ended 31 December 2016

	Called up share capital £	Share premium account £	Retained earnings £	Total equity £
As at 1 January 2016	20,001	1,980,000	19,447,856	21,447,857
Profit for the financial year	-	-	2,642,008	2,642,008
As at 31 December 2016	20,001	1,980,000	22,089,864	24,089,865

LEGAL & GENERAL PARTNERSHIP SERVICES LIMITED

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2017

1 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of Preparation

The financial statements of Legal & General Partnership Services Limited have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS101). The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 2006.

The preparation of financial statements in conformity with FRS101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS101:

- IFRS 7, 'Financial Statements: Disclosures'
- Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities)
- The following paragraphs of IAS 1, 'Presentation of financial statements':
 - 10(d), (statement of cash flows)
 - 16 (a statement of compliance with all IFRS),
 - 38A (requirement for minimum of two primary statements, including cash flow statements),
 - 111 (cash flow statement information), and
 - 134-136 (capital management disclosures)
- IAS 7, 'Statement of cash flows'
- Paragraph 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective)
- Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation)
- The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group.

(b) Going Concern

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company therefore continues to adopt the going concern basis in preparing its financial statements.

LEGAL & GENERAL PARTNERSHIP SERVICES LIMITED

NOTES TO FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

1 Summary of significant accounting policies (continued)

(c) Consolidation

The Company is a wholly-owned subsidiary of Legal & General Partnership Holdings Limited and its ultimate parent, Legal & General Group Plc. It is included in the consolidated financial statements of Legal & General Group Plc, which are publically available. Therefore the Company is exempt by virtue of section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements.

These financial statements are separate financial statements.

(d) Revenue recognition

Revenue is stated excluding recoverable Value Added Tax and represents Mortgage and Non Investment Insurance commissions and fees receivable. Revenue is recognised in the month in which notification is received that commission has become due.

(e) Provision for commission reclaim

There is a current obligation to repay Legal & General Assurance Society Limited on policies which have been sold, with the commission claimed by Legal & General Partnership Services Limited, but that have lapsed within 36 months of commencement. Some of this can be reclaimed from the respective agents to which Legal & General Partnership Services Limited paid the commission with the rest being paid by the entity. A provision is held at the balance sheet date for the expected future reclaims based upon policies sold and past experience of cancellations. The provision is accounted for on a net basis.

(f) Cash and cash equivalents

Cash and cash equivalents includes 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.

(g) Provision for complaints

A provision is recognised when there is a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate of the expenditure required to settle the present obligation at the balance sheet date.

(h) Cost of sales

Cost of sales represents Mortgage and Non-Investment Insurance commissions and fees payable. Cost of sales is recognised in the month in which notification is received that commission has become due.

(i) Finance income and finance expense

Finance income and finance expense are recognised on an accruals basis.

LEGAL & GENERAL PARTNERSHIP SERVICES LIMITED

NOTES TO FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

1 Summary of significant accounting policies (continued)

(j) Taxation

The tax expense for the period comprises current and deferred tax and is recognised in the Statement of Comprehensive Income.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; or arise from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities, and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2 Critical accounting estimates and judgments

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

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed in note 12.

3 Segmental disclosure

The turnover and pre-tax profit is all mainly attributable to the Company's activities as a service company and arises wholly in the UK.

LEGAL & GENERAL PARTNERSHIP SERVICES LIMITED

NOTES TO FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

4	Finance income	2017	2016
		£	£
	Interest receivable from third parties	235	1,153
	Interest receivable from group undertakings	30,936	51,728
		<u>31,171</u>	<u>52,881</u>

5	Finance costs	2017	2016
		£	£
	Interest payable to third parties	52,655	125,107
	Interest payable to group undertakings	3,829	5,172
		<u>56,484</u>	<u>130,279</u>

6	Profit before income tax	2017	2016
		£	£
	Profit on ordinary activities before taxation is stated after charging:		
	Auditors' remuneration (all relates to audit services)	<u>12,555</u>	<u>12,189</u>

Auditors' remuneration for the supply of other services are disclosed in total in the Legal and General Group Plc financial statements.

7 Directors' emoluments

These figures represent that portion of the directors' emoluments that are estimated to relate to their services to the Company. Directors are not employees of the Company. Costs are reflected in a management charge levied by the parent.

	2017	2016
	£	£
Short-term employee benefits	153,506	215,513
Post employment benefits	33,994	121,223
Aggregate emoluments	<u>187,500</u>	<u>336,736</u>

No fees were paid by the Company to the non-executive directors. Emoluments relate to salaries, performance bonuses receivable, and amounts (excluding shares) receivable under long term incentive schemes. Retirement benefits are accruing to Nil directors (2016: one) under the defined benefit scheme.

Two directors exercised share options over Legal & General Group Plc (2016: Nil). Five directors (2016: four) are members of a defined contribution scheme and the value of the apportioned company contribution in the year is £25,757 (2016: £17,433).

Aggregate emoluments include share options vested during the year.

Highest paid director:	2017	2016
	£	£
Short-term employee benefits	92,782	41,045
Post employment benefits	26,672	113,601
Aggregate emoluments	<u>119,455</u>	<u>154,646</u>

LEGAL & GENERAL PARTNERSHIP SERVICES LIMITED

NOTES TO FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

8 Income tax expense

	2017 £	2016 £
<u>Current tax</u>		
UK corporation tax at 19.25% (2016: 20%)		
- Current tax for the year	943,277	599,287
Total current tax charge	943,277	599,287
<u>Deferred tax</u>		
- Movement in temporary differences	114,608	63,914
- Reductions in UK corporate tax rate to 19-17% (2016: 20-19%)	(13,396)	10,795
Total deferred tax charge	101,212	74,709
Tax charge on profit on ordinary activities	1,044,489	673,996

Factors affecting tax charge for the year:

The total tax for the year is lower (2016: higher) than the standard rate of UK corporation tax and the differences are explained below:

	2017 £	2016 £
Profit on ordinary activities before taxation	5,495,508	3,316,004
UK corporation tax at 19.25% (2016: 20%)	1,057,885	663,201
Effects of:		
Impact of reduction in UK corporate tax rate to 19-17% (2016: 20-19%) on deferred tax balances	(13,396)	10,795
Total tax charge	1,044,489	673,996

Factors which may affect future tax charges

Following the 2016 Finance Act, the rate of Corporation Tax is expected to reduce progressively to 17% by 1 April 2020. The 19% rate will apply from 1st April 2017 and the 17% rate from 1st April 2020 onwards. The enacted rates of 19-17% have been used in the calculation of UK's deferred tax assets and liabilities, depending on which is the rate of corporation tax that is expected to apply when the differences as mentioned above reverse.

To calculate the current tax on profits, the rate of tax used is 19.25% (2016: 20.00%), which is the average rate of Corporation Tax applicable for the year.

The Company has no unprovided deferred tax assets or liabilities as at 31 December 2017 (2016: £nil).

LEGAL & GENERAL PARTNERSHIP SERVICES LIMITED

NOTES TO FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

9 Trade receivables

	2017	2016
	£	£
Amounts owed by group undertakings	63,480,287	57,950,814
Other debtors	52,044	78,966
	<u>63,532,331</u>	<u>58,029,780</u>
Receivable within 12 months	63,501,973	57,972,500
Receivable after 12 months	30,358	57,280
	<u>63,532,331</u>	<u>58,029,780</u>

Other debtors due in more than 1 year include loans made to agents of £30k (2016: £57k). Amounts owed by group undertakings are all due within 1 year.

10 Deferred tax asset

	2017	2016
	£	£
At 1 January 2017	292,171	366,880
Amount (debited) to the Statement of Comprehensive Income for year:		
Capital allowances in excess of depreciation	(1,954)	(3,161)
Change in prior year accounting provisions	(99,258)	(71,548)
At 31 December 2017	<u>190,959</u>	<u>292,171</u>
Capital allowances in excess of depreciation	8,900	10,854
Accounting provisions	182,059	281,317
	<u>190,959</u>	<u>292,171</u>

The Company is a UK member of the Legal & General Group, which is projected to make profits in future. Tax losses arising in this Company in future years as a result of the reversal of timing differences will therefore be utilised by other profitable companies within the UK Group. The Group policy is to pay for such surrendered tax losses at the prevailing corporation tax rate.

11 Trade and other payables

	2017	2016
	£	£
Amounts owed to group undertakings	29,904,626	28,970,716
Other creditors	2,597	3,155
Corporation Tax Payable	943,277	599,287
Accruals and deferred income	3,917,779	3,739,245
	<u>34,768,279</u>	<u>33,312,403</u>
Payable within 12 months	31,096,420	29,930,118
Payable after 12 months	3,671,859	3,382,285
	<u>34,768,279</u>	<u>33,312,403</u>

The amount owed to group undertakings are unsecured, interest free, and have no fixed date of repayment.

The provision for commission reclaims due in more than 1 year is £143k (2016: £287k). The provision for complaints is all due within 1 year. See note 12 for analysis of provisions.

LEGAL & GENERAL PARTNERSHIP SERVICES LIMITED

NOTES TO FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

12 Provisions for liabilities

(a) Analysis of provisions

	2017	2016
	£	£
<u>Commission reclaims</u>		
As at 1 January	1,109,000	1,500,000
Unused amounts reversed	(682,324)	(391,000)
As at 31 December	<u>426,676</u>	<u>1,109,000</u>

The Company makes a provision for the reclaim of commissions resulting from the customer cancelling their policy within the clawback period, generally 3 years. Management estimates the provision based on historical lapse rates as well as evaluating recent trends that might suggest that past lapse information may differ from future lapses.

From the total commission reclaim provision of £0.43 million, it is estimated that £0.28 million will be utilised within 12 months.

	2017	2016
	£	£
<u>Complaints</u>		
As at 1 January	120,739	1,269,480
Additional amounts provided	316,442	120,739
Amounts used	(120,739)	(1,269,480)
As at 31 December	<u>316,442</u>	<u>120,739</u>

The Company made a provision for settling complaints made against the Company as a result of the provision of advice on the purchase of financial services products. Management estimate the cost and probability of settling complaints based on the most recent available information and is of the opinion that the provision is adequate to resolve these claims.

From the total complaints provision of £0.32 million, it is estimated that the full amount will be utilised within 12 months.

13 Called up share capital

	2017	2016
	£	£
Authorised : 10,000,000 ordinary shares of £1 each (2016: 10,000,000)	<u>10,000,000</u>	<u>10,000,000</u>
Issued : 20,001 ordinary shares of £1 each fully paid (2016: 20,001)	<u>20,001</u>	<u>20,001</u>

LEGAL & GENERAL PARTNERSHIP SERVICES LIMITED

NOTES TO FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

14 Ultimate parent undertaking

The immediate parent company is Legal & General Partnership Holdings Limited.

The ultimate parent company is Legal & General Group Plc, a company incorporated in England & Wales - the controlling party which consolidates the financial statements of the Company. These financial statements therefore provide information about the Company as an individual undertaking. Copies of the financial statements of the ultimate holding company, Legal & General Group Plc, are available on the Group website, www.legalandgeneralgroup.com or from the Company Secretary at the Registered Office, One Coleman Street, London, EC2R 5AA.

15 Cash flow statement

The Company has taken advantage of the exemption under paragraph 8 (h) of FRS 101 from the requirements of IAS 7 Statement of Cash flows, and hence has not presented a cash flow statement.

16 Related party transactions

The Company has taken advantage of the exemption under paragraph 8 (j) and (k) of FRS 101 from certain requirements under IAS 24 Related party disclosures. These include the requirement to disclose transactions entered into by the Company with other wholly owned members of Legal & General Group Plc, and the requirement to present disclosures on compensation arrangements for key management personnel.