

Company Number: 9332181



**LGPL CORNWALL LIMITED**

**FINANCIAL STATEMENTS**

**2015**

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COMPANIES HOUSE

# **LGPL CORNWALL LIMITED**

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Registered Office:  
One Coleman Street  
London EC2R 5AA

Registered in England & Wales No. 9332181

## **LGPL CORNWALL LIMITED**

### **STRATEGIC REPORT**

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#### **Directors' Review**

The principal activity of LGPL Cornwall Limited (the "Company") is the letting of property.

The Company owns a headquarters office development property investment asset situated opposite to the entrance to Aberdeen Airport. It is a recently constructed building which is fully let to a single tenant. The company also owns a single property investment office in the City of London.

Property income amounts to £5.6m for the period ended 31 December 2015.

On 26 November 2015, the Company undertook a capital reorganisation. This involved a capital reduction to reduce the share capital to £1. The Company then immediately declared a dividend of all remaining distributable reserves.

Following this reorganisation, the Company issued rental income and residual value notes secured on its investment properties and entered into a Liquidity and Expenses Risk Agreement ("LERA") with its immediate parent company, Legal & General Pensions Limited ("LGPL").

The rental income notes, residual value notes and LERA (together "the Loan Notes") were issued in exchange for the settlement of the intercompany payable generated on the declaration of the dividend above.

The rental income notes represent 98.75% of future rents receivable on the associated lease. They bear a coupon payment based on 98.75% of the underlying rental income. This coupon falls due 45 days following each quarterly rent.

The residual value notes represent the value of the associated property on completion of the lease.

On 31 December 2015, LGPL novated its ownership of the Loan Notes to its parent company, Legal & General Assurance Society Limited ("LGAS").

Under the LERA, the Company has the right to borrow an unlimited amount from LGAS. This right will remain in place until expiry of all rental income notes issued by the Company. This agreement ensures the Company has the ability to draw on funds in order to meet its payables as they fall due. This enables the Company to maintain its status as a going concern.

Subsequent to the above transactions, the Company will recognise in full the rental income and expenses associated with its investment properties and will also recognise a Loan Note creditor.

#### **Principal risks and uncertainties**

Risks relating to credit worthiness, liquidity and interest rate arise in the Company's normal course of business. The Company addresses these risks and defines strategies to limit the economic impact on its performance in accordance with its financial risk management policy. The Directors of the Company are responsible for overseeing compliance with the Company's risk management policies and procedures.

Credit risk is the risk of financial loss to the Company if a tenant fails to meet its contractual obligations and arises principally from the Company's receivables from tenants. The Company's exposure is impacted by the individual characteristics of each tenant, its industry and region where it operates. The Company has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. This risk ultimately lies with Legal and General Assurance Society (LGAS). Credit evaluations are performed on all tenants.

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The LERA enables the Company to have sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations.

**LGPL CORNWALL LIMITED**

**STRATEGIC REPORT**

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**Financial key performance indicators**

As at 31 December 2015, the Company owns 1 property with a total market value of £112m.

The results of the Company are set out on page 9.

The Company forms part of a wider group of assets known collectively as the Annuity Property Fund. Analysis of investments is performed at the Annuity Property Fund level rather than at the company level.

By order of the Board



RA Hall

For and on behalf of Legal & General Co Sec Limited

Company Secretary

17 May 2016

## **LGPL CORNWALL LIMITED**

### **DIRECTORS' REPORT**

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The directors present their annual report together with the audited financial statements of the Company for the period from 28 November 2014 to 31 December 2015. This report has been prepared in accordance with the special provisions relating to small companies within part 15 of the Companies Act 2006.

#### **Principal activities**

The Company owns a headquarters office development property investment asset situated opposite to the entrance to Aberdeen Airport. It is a recently constructed building which is fully let to a single tenant.

#### **Post balance sheet events**

There is no significant post balance sheet events to report.

#### **Future developments**

The Company intends to continue to hold and let the property for investment purposes.

#### **Result for the period and**

The results of the Company are set out on page 9. Dividends amounting to £113,934,063 was paid in the period.

#### **Directors**

The directors of the Company who were in office during the period and up to the date of signing the financial statements were:

G Aitchison (Appointed 28/11/2014)

C Walker (Appointed 28/11/2014)

#### **Directors' Insurance**

Legal & General Group Plc., the ultimate parent undertaking and controlling party, maintains an appropriate level of Directors and Officers' liability insurance which is reviewed annually.

#### **Going concern**

The directors consider the going concern to be appropriate based on the support from its intermediate parent company, Legal & General Assurance Society Limited ("LGAS") by way of a Liquidity and Expenses Risk Agreement. Further details of this agreement can be found in note 10. The opinion of the Directors' is that this support will be continued and accordingly the financial statements have been prepared on a going concern basis.

**DIRECTORS' REPORT**

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**Statement of Directors' Responsibilities**

The directors are responsible for preparing the strategic report, 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 and applicable law), 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;
- 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 Directors' 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. This confirmation is given in accordance with section 418(2) of the Companies Act 2006.

By order of the Board



RA Hall

For and on behalf of Legal & General Co Sec Limited

Company Secretary

17 May 2016

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LGPL CORNWALL LIMITED

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### Report on the financial statements

#### *Our opinion*

In our opinion, LGPL Cornwall Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2015 and of its loss for the period 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 Financial Statements (the "Annual Report"), comprise:

- the Balance Sheet as at 31 December 2015;
- the income statement for the period then ended;
- the statement of changes in equity for the period 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 101 "Reduced Disclosure Framework", 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, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements;
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

### 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LGPL CORNWALL LIMITED

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**Responsibilities for the financial statements and the audit**

***Our responsibilities and those of the directors***

As explained more fully in the Statement of Directors' Responsibilities set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("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. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.



Philip Watson (Senior Statutory Auditor)  
For and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
17 May 2016



**LGPL CORNWALL LIMITED**

**INCOME STATEMENT**

**For the period ended 31 December 2015**

		<b>Period from 28 November 2014 to 31 December 2015</b>
	<b>Note</b>	<b>£</b>
Revenue	2	5,571,548
<b>Gross profit</b>		<b>5,571,548</b>
Administrative Costs		(25,946)
Exceptional item in relation to capital restructuring	10	(638,721)
<b>Operating profit</b>	3	<b>4,906,881</b>
Loss on revaluation of investment property	7	(4,271,548)
Loss on revaluation of loan notes	10	(1,922,351)
<b>Loss on ordinary activities before taxation</b>		<b>(1,287,018)</b>
Tax on loss on ordinary activities	6	(978,920)
<b>Loss for the financial period</b>		<b>(2,265,938)</b>

There is no material difference between the profit on ordinary activities before taxation and the profit for the financial period stated above and their historical cost equivalents.

There were no gains or losses in the period other than those included in the above income statement.

The notes on pages 12 to 21 form an integral part of these financial statements.

**LGPL CORNWALL LIMITED****BALANCE SHEET****As at 31 December 2015**

	Note	2015 £
<b>Assets</b>		
<b>Non-current assets</b>		
Investment properties	7	111,928,452
Accounts Receivable	8	6,154,708
Total non current assets		<u>118,083,160</u>
<b>Current assets</b>		
Accounts Receivable	8	166,628
Total current assets		<u>166,628</u>
<b>Total assets</b>		<u><b>118,249,788</b></u>
<b>Liabilities</b>		
<b>Non-current liabilities</b>		
Payables and other financial liabilities	10	117,110,333
Total non-current liabilities		<u>117,110,333</u>
<b>Current liabilities</b>		
Accounts Payable	9	1,139,454
Total current liabilities		<u>1,139,454</u>
<b>Total liabilities</b>		<u><b>118,249,787</b></u>
<b>Net Assets</b>		<u><b>1</b></u>
<b>Capital and reserves</b>		
Called up share capital	11	1
Retained Earnings		-
<b>Total equity</b>		<u><b>1</b></u>

The notes on pages 12 to 21 form an integral part of these financial statements.

The financial statements on pages 9 to 11 were approved by the board of directors on 17 May 2016 and signed on its behalf by

G Aitchison, Director

LGPL Cornwall Limited, registered in England and Wales No. 9332181

**LGPL CORNWALL LIMITED****STATEMENTS OF CHANGES IN EQUITY****For the period ended 31 December 2015**

	<b>Called up share capital</b>	<b>Retained Earnings</b>	<b>Total shareholders' funds</b>
	<b>£</b>	<b>£</b>	<b>£</b>
<b>At 31 December 2014</b>	-	-	-
Loss for the financial period	-	(2,265,938)	(2,265,938)
Issued share capital	116,200,002	-	116,200,002
Capital reduction	(116,200,001)	116,200,001	-
Total comprehensive income for the period	1	113,934,063	113,934,064
Dividends paid	-	(113,934,063)	(113,934,063)
<b>At 31 December 2015</b>	<b>1</b>	<b>-</b>	<b>1</b>

## LGPL CORNWALL LIMITED

### NOTES TO FINANCIAL STATEMENTS

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#### 1 Summary of significant accounting policies

The main accounting policies of the Company are as follows:

##### (a) Reporting entity

The Company is a limited company, incorporated and domiciled in the United Kingdom. The address of its registered office is One Coleman Street, London, United Kingdom, EC2R 5AA.

##### (b) Use of estimates

The preparation of the financial statements includes the use of estimates and assumptions. These estimates are based on management's best knowledge of current circumstances and future events and actions, actual results may differ from those estimates. This is particularly relevant to the following; Investment Property and Payable and other financial liabilities and have been discussed in the relevant accounting policies.

##### (c) Basis of Preparation

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings, and in accordance with the Companies Act 2006.

The preparation of financial statements in conformity with FRS 101 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 Company's financial statements are presented in Sterling.

The Company is a wholly owned subsidiary of Legal & General Group Plc and is included in the consolidated financial statements of Legal & General Group Plc which are publicly available.

These financial statements are prepared on the going concern basis, under the historical cost convention, as modified by the revaluation of land and buildings and in accordance with the Companies Act 2006 as applicable to companies using FRS101 and applicable accounting standards in the United Kingdom.

The accounting policies which follow set out those policies which apply in preparing the financial statements for the period ended 31 December 2015.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of paragraphs 10(d), 10(f), 39(c) and 134-136 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- the requirements of paragraph 17 of IAS 24 Related Party Disclosures;
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member ; and
- the requirements of paragraphs 150(1)(ii), 150(1)(iii), 154(a)-154(1) and 155(c)-155(e) of IAS 38 Impairment of Assets, this exemption requires that equivalent disclosures are included in the consolidated financial statements of Legal & General Group Plc.

##### (d) Going concern

These financial statements have been prepared on a going concern basis. The directors have received assurance from the ultimate shareholder of the parent company, being Legal & General Group Plc, to the effect that they will ensure the company has sufficient funds to enable it to continue in operation for the foreseeable future and at least 12 months from the date of this report.

## LGPL CORNWALL LIMITED

### NOTES TO FINANCIAL STATEMENTS

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#### 1 Summary of significant accounting policies (continued)

##### (e) Investment properties

Investment property comprises land and buildings which are held for long term rental yields and capital growth. Investment properties are initially measured at cost, including the purchase price and any directly attributable expenditure such as legal and brokerage fees, property transfer taxes and other transaction costs as well as borrowing costs that meet the criteria for capitalisation. It is carried at fair value with changes in fair value recognised in the Income Statement within fair value adjustment on investment property. Investment property in the UK is valued quarterly by independent valuers on the basis of open market value as defined in the appraisal and valuations manual of the Royal Institute of Chartered Surveyors. Valuation techniques may include discounted cash flow calculations using net current rent, and estimated and terminal values; they may also include yield methodology calculations using market rental values capitalised with a market capitalisation rate. Both of these are then further validated against actual market transactions to produce a final valuation.

Outside the UK, valuations are produced in conjunction with external qualified professional valuers in the countries concerned. In the event of a material change in market conditions between the valuation date and the balance sheet date, an internal valuation is performed and adjustments made to reflect and material changes in fair value.

Investment properties are treated as acquired when the entity enters into an unconditional purchase contract and as sold when subject to an unconditional contract for sale. Additions to properties consist of costs of a capital nature.

The valuation of properties at market value is in accordance with the Deed of the company. Surpluses and deficits arising on the valuation of investment properties are reflected in the Income Statement.

##### (f) Payables and other financial liabilities

Liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through the income statement or other liabilities, as appropriate.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Financial liabilities included in trade and other payables are recognised initially at fair value and subsequently at amortised cost. The fair value of a non-interest bearing liability is its discounted repayment amount. If the due date of the liability is less than one year, discounting is omitted.

Financial liabilities also included loan notes which comprise rental value notes, residual value notes and the LERA. The rental income notes, residual value notes and the LERA are recognised at fair value and subsequently remeasured.

##### (g) Tax and deferred tax

The tax expense for the period comprises current tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in shareholders' funds. In this case, the tax is also recognised in other comprehensive income or directly in shareholders' funds respectively.

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.

## LGPL CORNWALL LIMITED

### NOTES TO FINANCIAL STATEMENTS

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#### 1 Summary of significant accounting policies (continued)

(g) **Tax and deferred tax (continued)**

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.

(h) **Cash and cash equivalents**

Cash comprises cash in hand and bank deposits that can be withdrawn immediately or within twenty four hours without penalty.

(i) **Dividend recognition**

A dividend distribution to the Company's shareholders is recognised as a liability in the period in which the dividends are authorised and are no longer at the discretion of the Company.

(j) **Revenue**

The Company's revenue comprises rental income and other recoveries from tenants, including service charges, of its investment property. Property income is recognised on an accruals basis, including a best estimate for unsettled rent reviews and surrender premiums received. Rental income received in advance is deferred and recognised as income in the period to which it relates.

In accordance with FRS101, rental income from properties which have been let subject to a rent free period or lease inducement, is accounted for on a straight line basis from the rent commencement date to the lease end date, unless the rental payments are structured to increase in line with expected general inflation, in which case the Partnership recognises annual rental income equal to amounts due from the lessee. The valuation of investment properties is reduced by all unamortised lease incentives. Any remaining unamortised lease incentive in respect of properties disposed of is included in the calculation of profit or loss arising on disposal.

(k) **Expenses**

Property and contract expenditure is expensed as incurred. Property expenses consist of property outgoings directly attributable to investment properties. Property expenses are recognised on an accruals basis.

(l) **Investment Income**

Investment income includes dividends, interest and rent. Dividends receivable from Group companies are recognised when paid for interim dividends, and when approved by the subsidiary Board for final dividends. All other investment income is recognised on an accruals basis.

#### 2 Revenue

Revenue recognised in the income statement is analysed as follows.

	<b>Period ended 31 December 2015</b>
	<b>£</b>
Rental income	5,571,548
	<b><u>5,571,548</u></b>

No revenue was derived from exchanges of goods or services.

# LGPL CORNWALL LIMITED

## NOTES TO FINANCIAL STATEMENTS

### 3 Operating Profit

Loss on ordinary activities before taxation is stated after charging:

**Period ended  
31 December 2015**  
£

Auditors' remuneration

- in relation to the audit of the financial statements of the Company

14,000

The company has taken advantage of the exemption not to disclose amounts paid for non audit services as these are disclosed in the group's financial statements of its parent Legal & General Group Plc.

### 4 Staff costs

The Company has no employees and hence makes no contributions towards retirement benefits.

### 5 Directors' emoluments

No emoluments were paid to any director nor were any direct pension contributions paid in respect of services to this Company.

### 6 Tax on loss on ordinary activities

**Period ended  
31 December 2015**  
£

#### Current tax

UK corporation tax at 20.25%

- Current tax for the year

978,920

- Adjustments in respect of prior years

-

**Total current tax charge**

**978,920**

**Tax charge on loss on ordinary activities**

**978,920**

#### Factors affecting current tax charge for the period:

The total current tax for the period is higher than the standard rate of UK corporation tax and the differences are explained below:

**Period ended  
31 December 2015**  
£

Loss on ordinary activities before taxation

(1,287,018)

Tax calculated at the standard UK corporation tax rate of 20.25%

(260,621)

Effects of:

Net non taxable income post 26 November 2015

(14,724)

Difference between taxable & accounting unrealised gains / losses

1,254,265

**Total current tax charge**

**978,920**

- Origination and reversal of timing differences

-

**Total Tax (credit)/ charge**

**978,920**

#### Factors which may affect future tax charges

Following the 2015 Budget announcement, the rate of corporation tax is expected to reduce progressively to 20% by 1 April 2016. To calculate the current tax on profits, the rate of tax used is 20.25% which is the average rate of corporation tax applicable for the period.

Following the capital reorganisation on 26 November 2015 the investment properties held by the Company were being treated as a no gain no loss transfer to Legal & General Pensions Limited. Consequently the Company's tax liability arise from the revenue and expenses recognised in the income statement post 26 November 2015 is borne by Legal & General Pensions Limited.

# LGPL CORNWALL LIMITED

## NOTES TO FINANCIAL STATEMENTS

### 7 Investment properties

#### (a) Reconciliation of carrying amount

	Period ended 31 December 2015 £
<b>Cost</b>	
At 28 November 2014	-
Additions	116,200,000
At 31 December	<u>116,200,000</u>
<b>Fair Value losses</b>	
At 28 November 2014	-
Deficit for the period	(4,271,548)
At 31 December	<u>(4,271,548)</u>
At 31 December	<u><b>111,928,452</b></u>
Market value as estimated by external valuers	117,500,000
Less: lease incentive balance included in receivables	(5,571,548)
Fair value for financial reporting purposes	<u><b>111,928,452</b></u>

#### (b) Measurement of fair value

##### (i) Fair Value hierarchy

The Company's investment property was valued as at 31 December 2015 by an independent valuer, CBRE Limited, in accordance with the Royal Institution of Chartered Surveyors ('RICS') Valuations Standards, on the basis of Market Value. Market Value represents the figure that would appear in a hypothetical contract of sale between a willing buyer and a willing seller on an open market basis.

The investment value is a product of rent and yield derived using comparison techniques. In undertaking the valuation of properties under this method, an assessment has been made on the basis of a collation and analysis of appropriate comparable investment, rental and sale transactions, together with evidence of demand within the vicinity of the subject property. With the benefit of such transactions, capitalisation rates have then been applied to the properties, taking into account size, location, terms, covenant and other material factors.

At each financial year end the Company's Investment Manager:

- verifies all major inputs to the independent valuer's report
- assesses property valuation movements when compared to the prior year valuation report (if applicable); and
- hold discussions with the independent valuer

The fair value measurement of investment property of £111.9m has been categorised as Level 3 fair value based on the inputs to the valuation techniques used (as discussed below):



**LGPL CORNWALL LIMITED**

**NOTES TO FINANCIAL STATEMENTS**

**7 Investment properties (continued)**

**(b) Measurement of fair value (continued)**

**(ii) Level 3 fair value**

The following table shows a reconciliation from the opening balances to the closing balances for level 3 fair value.

	<b>31 December 2015</b>
	<b>£</b>
At 28 November 2014	-
Additions	116,200,000
Lease incentives movement	(5,571,548)
Changes in fair value (unrealised)	1,300,000
At 31 December 2015	<u>111,928,452</u>

The following valuation technique was used in measuring the fair value of the Company's investment property.

**Valuation techniques**

**Market Approach**

The valuation have been prepared using the "market approach" valuation technique - using prices and other relevant information generated by market transactions involving identical or comparable (i.e. similar) assets. All of the valuations within the portfolio fall within Level 3 of the Fair Value hierarchy, which categorises the inputs to valuation techniques used to measure Fair Value.

**Significant unobservable inputs**

The significant unobservable inputs used in the fair value measurement are estimated rental value, rental growth, long-term vacancy rate and discount rate.

**(iii) Sensitivity analysis**

Significant increases/ decreases in rental value and rental growth in isolation would result in a significantly higher/ lower fair value measurement, respectively. Significant increases/ decreases in long term vacancy rate and discount rate in isolation would result in a significantly lower/ higher fair value measurement, respectively.

The table below presents the sensitivity analysis of the valuation to changes in the most significant assumptions underlying the valuation of completed investment property.

	<b>31 December 2015</b>
	<b>£</b>
Increase in yield of 25bps	(3,900,000)
Decrease in rental rates of 500 bps	(1,200,000)

**8 Accounts Receivable**

	<b>Period ended</b>
	<b>31 December 2015</b>
	<b>£</b>
Trade debtors	166,628
Accrued rent	5,571,548
Amounts owed by parent undertakings	583,160
	<u>6,321,336</u>
Due within 12 months	166,628
Due after 12 months	6,154,708
	<u>6,321,336</u>

The amounts owed by group undertakings and parent undertakings are unsecured, interest free, and have no fixed date of repayment.

**LGPL CORNWALL LIMITED**

**NOTES TO FINANCIAL STATEMENTS**

<b>9</b>	<b>Accounts Payable</b>	<b>Period ended 31 December 2015 £</b>
	Corporation tax liability	978,920
	Accruals and deferred income	19,234
	VAT creditor	9,417
	Sundry creditors	131,883
		<b>1,139,454</b>
	Due within 12 months	<b>1,139,454</b>
	Due after 12 months	-
<b>10</b>	<b>Payables and other financial liabilities</b>	<b>Period ended 31 December 2015 £</b>
	<b>Loan Notes</b>	
	<b>Cost</b>	
	Issue of Loan Notes on 26 November 2015	114,549,261
	Exceptional item in relation to the issue of LERA on 26 November 2015	638,721
	At 31 December	<b>115,187,982</b>
	<b>Fair value losses</b>	
	Deficit for the period	1,922,351
	At 31 December	<b>1,922,351</b>
	<b>Fair value</b>	
	At 31 December	<b>117,110,333</b>
	Due within 12 months	5,730,411
	Due after 12 months	<b>111,379,922</b>
		<b>117,110,333</b>

On 26 November 2015 the Company issued rental income notes and residual value notes secured on its investment properties and entered into a Liquidity and Expenses Risk Agreement ("LERA") with its immediate parent company, Legal & General Pensions Limited ("LGPL").

The rental income notes represent 98.75% of future rents receivable on the associated lease. They bear a coupon payment based on 98.75% of the underlying rental income. This coupon falls due 45 days following each quarterly rent.

The residual value notes represent the value of the associated property on completion of the lease.

The rental income notes and residual value notes are recognised at cost and subsequently measured at fair value.

LERA represents the funding of the operating expenses of the Company from LGPL and the issued amount as at 26 November 2015 was treated as an exceptional item in the income statement. Subsequent value of LERA are measured at fair value with the movement being recognised in the income statement.

## LGPL CORNWALL LIMITED

### NOTES TO FINANCIAL STATEMENTS

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#### 11 Called up share capital

Period ended  
31 December 2015  
£

Issued: 1 ordinary shares of £1 each

1

#### 12 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.

#### 13 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.

#### 14 Financial Risk Management

This section describes the Company's approach to risk management. It covers the overall approach to all risks and includes a detailed review of all risks within the business.

##### Risk management objectives

The Company's primary objective in undertaking risk management activity is to manage risk exposures in line with risk appetite, minimising exposure to unexpected financial loss and limiting the potential for deviation from anticipated outcomes. In this respect, a framework of limits and qualitative statements are in place for material exposures.

##### Risk management approach

The Company is exposed to market, credit and liquidity risks and as part of the Legal & General Group operates a formal risk management framework to ensure that all significant risks are identified and managed. The risk factors mentioned below should not be regarded as a complete and comprehensive statement of all potential risks and uncertainties.

**Market risk:** this is the risk that the fair values or future cash flows of investments will fluctuate because of changes in market prices (other than those arising from interest rate risk), whether those changes are caused by factors specific to individual investments or other factors affecting similar investments in the market.

**Credit risk:** this is the risk of financial loss to the Company if a tenant fails to meet its contractual obligations and arises principally from the Company's receivables from tenants.

**Liquidity risk:** this is the risk that the Company will not be able to meet its financial obligations as they fall due.

Overall responsibility for the management of the Company's exposure to risk is vested in the Board.

##### Management of risk

As part of the capital reorganisation of the Company, market and liquidity risk exposures are ultimately borne by the parent through the operation of the loan notes.

## LGPL CORNWALL LIMITED

### NOTES TO FINANCIAL STATEMENTS

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#### 14 Financial Risk Management (continued)

##### **Market risk**

Market risk consists of price risk and cash flow and fair value interest rate risk.

##### **(a) Price Risk**

The Company is not exposed to the market risk with respect to financial instruments as it does not hold any marketable equity securities. The Company is exposed to price risk other than in respect of financial instruments, such as investment property price risk including investment property rental risk.

##### **(b) Cash flow and fair value interest rate risk**

Interest rate risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to interest rate risk as it does not hold any interest bearing financial asset nor liability at the reporting date.

Trade and other receivables and payables are interest-free.

##### **Credit risk**

The Company's exposure is impacted by the individual characteristics of each tenant, its industry and region where it operates. The Company has a credit policy in place and the exposure to credit risk is monitored on an on-going basis. Credit evaluations are performed on all tenants.

The carrying amounts of financial assets best represent the maximum credit risk exposure at the balance sheet date. The maximum exposure to credit risk at the reporting date was:

	<b>31 December 2015</b>
	<b>£</b>
Accounts Receivable	<u>6,321,336</u>

##### **Liquidity Risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The LERA enables the Company to have sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations. The liquidity risk is passed on to the loan note holders and ultimately lies with Legal and General Assurance Society (LGAS).

## LGPL CORNWALL LIMITED

### NOTES TO FINANCIAL STATEMENTS

#### 15 Financial instruments fair value hierarchy

A number of the Company's accounting policies and disclosures require the measurement of fair value for both financial and non financial assets and liabilities.

The Company regularly review significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the Company assesses the evidence obtained from the third party to support the conclusion that such valuation meets the requirement of IFRS, including the level in the fair value hierarchy in which such valuations should be classified.

When measuring the fair value of an asset or liability, the Company uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs in the valuation techniques as follows:

-Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

-Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as price) or indirectly (i.e. derived from prices).

-Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table presents the Company's assets and liabilities by IFRS 13 hierarchy levels:

	Level 1 £	Level 2 £	Level 3 £	Total £
<b>Financial assets</b>				
Investment properties	-	-	111,928,452	111,928,452
Accounts Receivable	-	6,321,336	-	6,321,336
	-	6,321,336	111,928,452	118,249,788
<b>Financial liabilities</b>				
Accounts Payable	-	1,139,454	-	1,139,454
Payables and other financial liabilities	-	77,741,915	39,368,418	117,110,333
	-	78,881,369	39,368,418	118,249,787

#### 16 Post balance sheet events

There is no significant post balance sheet events to report.

#### 17 Undertaking and controlling party

The immediate parent company is Legal & General Assurance Society Limited, a company registered in England and Wales and domiciled in the United Kingdom. Group financial statements for this company are not prepared.

The ultimate parent undertaking and controlling party is Legal & General Group Plc, a company incorporated in the United Kingdom.

Legal & General Group Plc is the parent undertaking of the largest and smallest group of undertakings to consolidate these financial statements at 31 December 2015. The consolidated financial statements of Legal & General Group Plc are available on the Group website, [www.legalandgeneralgroup.com](http://www.legalandgeneralgroup.com) or from the Company Secretary at the Registered Office, One Coleman Street, London, EC2R 5AA.