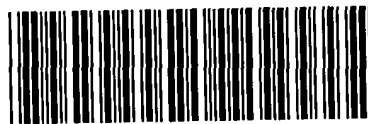


Company Number: 05935873



LEGAL & GENERAL PENSIONS LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

FRIDAY



L8BØUSOA

LD4

02/08/2019

#6

COMPANIES HOUSE

LEGAL & GENERAL PENSIONS LIMITED

CONTENTS

Page

3	Strategic Report
4	Directors' Report
6	Independent Auditor's Report to the members of Legal & General Pensions Limited
8	Income Statement
9	Balance Sheet
10	Statement of Changes in Equity
11	Notes to Financial Statements

Registered Office:
One Coleman Street
London EC2R 5AA

Registered in England & Wales No. 05935873

LEGAL & GENERAL PENSIONS LIMITED

STRATEGIC REPORT

Directors' Review

The principal activity of Legal & General Pensions Limited (the "Company") is the investment in, and development of property with the principal objective of creating capital growth, realising capital gains and deriving rental income.

The Company is a wholly owned subsidiary of Legal & General Assurance Society ("the Parent"). The directors consider the ultimate controlling party to be Legal & General Group Plc ("the Group").

In 2015 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 Assurance Society Limited ("LGAS"). LERA remains effective as at 31 December 2018.

Principal risks and uncertainties

Risks relating to credit worthiness, liquidity and interest rates 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 the 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 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 Liquidity and Expenses Risk Agreement ("LERA") enables the Company to have sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations.

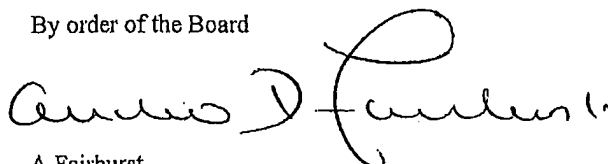
Financial key performance indicators

During the year, the Company sold 1 property and purchased 9 properties. As at 31 December 2018, the property portfolio consisted of 39 properties (31 December 2017: 31 properties) and was valued at £2,284m (2017: £1,905m).

The results of the company are set out on page 8. The directors do not recommend the payment of a dividend (2017: £nil).

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



A Fairhurst

For and on behalf of Legal & General Co Sec Limited

Company Secretary

8 July 2019

LEGAL & GENERAL PENSIONS LIMITED

DIRECTORS' REPORT

The directors present their annual report together with the audited financial statements of the Company for the year ended 31 December 2018.

Principal activities

Legal & General Pensions Limited is a property investment company.

Future developments

The Company intends to continue to hold and let the portfolio of properties for investment purposes.

Result for the year and dividend

The results of the Company are set out on page 8. No dividends were paid in the year (2017: £nil).

Post balance sheet events

There are no significant post balance sheet events to report.

Modern slavery

Legal & General Group Plc and its global subsidiaries ("Legal & General") recognise that companies have an obligation to ensure that their business and supporting supply chains are slavery free.

Legal & General's full modern slavery statement can be found at <https://www.legalandgeneralgroup.com/>.

Directors

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

A Banks

M Barrie

J Malpas

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 18. 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.

LEGAL & GENERAL PENSIONS LIMITED

DIRECTORS' REPORT (CONTINUED)

Disclosure of information to auditor

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 auditor is 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 auditor is aware of that information. This confirmation is given in accordance with section 418(2) of the Companies Act 2006.

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

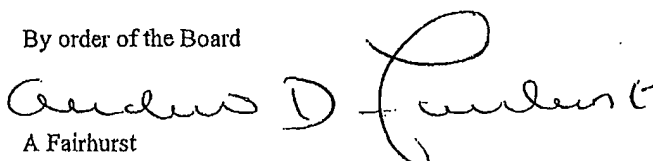
Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

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 estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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 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, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and prevent and detect fraud and other irregularities.

By order of the Board



A Fairhurst

For and on behalf of Legal & General Co Sec Limited

Company Secretary

8 July 2019

LEGAL & GENERAL PENSIONS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LEGAL & GENERAL PENSIONS LIMITED

Opinion

We have audited the financial statements of Legal & General Pensions Limited ("the company") for the year ended 31 December 2018 which comprise the income statement, the balance sheet, the statement of changes in equity, and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its result for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, such as valuation of investments, investment properties and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

LEGAL & GENERAL PENSIONS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LEGAL & GENERAL PENSIONS LIMITED

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 5, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; 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; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

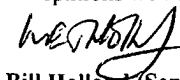
Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



Bill Holland (Senior Statutory Auditor)

For and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

15 Canada Square

London E14 5GL

11 July 2019

LEGAL & GENERAL PENSIONS LIMITED
INCOME STATEMENT

For the year ended 31 December 2018

	Notes	31 December 2018 £000	31 December 2017 £000
Revenue	2	91,465	80,143
Gross profit		91,465	80,143
Administrative expenses		(1,143)	(2,706)
Other operating income		1,498	2,168
Operating profit	3	91,820	79,605
Realised gain / (loss) on disposal of investment properties	10	1,973	(2,101)
Unrealised gain on revaluation of investment properties	10	75,421	111,259
Unrealised (loss) / gain on revaluation of financial investments	11	(4,416)	4,493
Unrealised loss on revaluation of loan notes	18	(75,747)	(120,137)
Realised (loss) / gain on disposal of loan notes	18	(928)	637
Investment income	4	2,497	2,852
Interest payable and similar expenses	5	(90,019)	(76,608)
Profit before taxation		601	-
Tax on result	8	(601)	-
Profit for the financial year		-	-

There were no other comprehensive income in the year (2017: £nil), so no statement of other comprehensive income is presented.

All income relates to continuing operations.

The notes on pages 11 to 22 form an integral part of these financial statements.

LEGAL & GENERAL PENSIONS LIMITED
BALANCE SHEET

As at 31 December 2018

	Note	2018 £000	2017 £000
Assets			
Non-current assets			
Investment properties	10	2,254,709	1,876,270
Financial investments	11	327,130	322,354
Accounts receivable	12	28,610	29,498
Total non current assets		2,610,449	2,228,122
Current assets			
Accounts receivable	12	342,257	37,809
Cash and cash equivalents		206,335	34,526
Total current assets		548,592	72,335
Total assets		3,159,041	2,300,457
Liabilities			
Non-current liabilities			
Deferred tax liability	17	1,032	1,032
Payables and other financial liabilities	18	3,018,886	2,161,722
Total non-current liabilities		3,019,918	2,162,754
Current liabilities			
Payables and other financial liabilities	18	94,750	78,021
Accounts payable	13	44,373	59,682
Total current liabilities		139,123	137,703
Total liabilities		3,159,041	2,300,457
Net assets		-	-
Capital and reserves			
Called up share capital	14	-	-
Retained earnings		-	-
Total shareholders' funds		-	-

The notes on pages 11 to 22 form an integral part of these financial statements.

The financial statements on pages 8 to 22 were approved by the board of directors on 8 July 2019 and signed on its behalf by



A Banks
 Director
 Legal & General Pensions Limited
 Registered in England & Wales No. 05935873

LEGAL & GENERAL PENSIONS LIMITED

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Called up share capital £000	Retained earnings £000	Total shareholders' funds £000
At 1 January 2017	-	-	-
Comprehensive income:			
Profit and total comprehensive income for the year	-	-	-
At 31 December 2017	-	-	-
Comprehensive income:			
Profit and total comprehensive income for the year	-	-	-
At 31 December 2018	-	-	-

The notes on pages 11 to 22 form an integral part of these financial statements.

LEGAL & GENERAL PENSIONS LIMITED

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2018

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, Financial Investments and Payables and other financial liabilities which 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. In the previous financial year, the Company prepared its financial statements in accordance with International Financial Reporting Standard as adopted by the European Union (EU IFRS). Following the cessation of the Company's reinsurance business in 2015 the Company adopted FRS 101 in 2017 to be consistent with the preparation of the financial statements for all the other property investment vehicles within the Annuity Property Fund. The assets and liabilities in 2017 and the current financial year have been therefore split between current and non-current accordingly.

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings, financial investments and loan notes, 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, financial investments and loan notes 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 year ended 31 December 2018.

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

- the requirement in paragraph 38 of IAS 1 "Presentation of Financial Statements" to present comparative information in respect of:

(i) paragraph 79(a)(iv) of IAS 1;

(ii) paragraphs 76 and 79(d) of IAS 40 Investment Property; and

- the requirements of IFRS 7 Financial Instruments;

- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement;

- 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;

LEGAL & GENERAL PENSIONS LIMITED

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2018

1 Summary of significant accounting policies (continued)

(c) Basis of preparation (continued)

- 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 130(f)(ii), 130(f)(iii), 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

(d) Going concern

The directors consider the going concern to be appropriate based on the current net asset position and future earnings potential of the Company. The Company relies on the support of its immediate parent company Legal and General Assurance Society Limited, by way of a Liquidity and Expenses Risk Agreement ("LERA"). The directors are of the opinion that this support will be continued and accordingly the financial statements have been prepared on a going concern basis.

(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.

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.

Investment properties are treated as acquired at the point the entity assumes the significant risks and returns of ownership and as disposed when the significant risks and returns of ownership are transferred to the buyer. This generally occurs on unconditional exchange or on completion if this is expected to occur significantly after exchange or the entity has significant outstanding obligations between exchange and completion. Additions to properties consist of costs of a capital nature.

(f) Accounts receivable

Receivables are recognised in the balance sheet, when and only when, the Company becomes party to the contractual provisions of the contract. Receivables are initially recognised at fair value adjusted for any directly attributable transaction costs.

After initial recognition, receivables are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial.

LEGAL & GENERAL PENSIONS LIMITED

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2018

1 Summary of significant accounting policies (continued)

(g) Financial investments

The Company's financial investments includes investments in subsidiaries and unlisted investments. The Company measures its financial investments at their net asset value as an approximation of fair value with gains for losses recognised in the income statement.

(h) Payables and other financial liabilities

Liabilities 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 include 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. Fair value gains and losses are reflected in the *Income Statement*.

(i) Tax and deferred tax

The tax expense for the period comprises current and deferred 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.

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.

LEGAL & GENERAL PENSIONS LIMITED

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2018

1 Summary of significant accounting policies (continued)

(j) **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.

(k) **Cash and cash equivalents**

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

(l) **Revenue**

The Company's revenue comprises rental income and other recoveries from tenants 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.

(m) **Investment income**

Investment income includes distribution income and interest. Distribution income is recognised when the Company's right to receive payment is established. Interest income is recognised using the effective interest method.

(n) **Expenses**

Expenses are recognised on an accrual basis.

(o) **Consolidated financial statements**

The Company is exempt from the requirement to prepare consolidated financial statements under Section 400 of the Companies Act 2006. Consolidated financial statements are prepared by Legal & General Group Plc, incorporated in England and Wales, the ultimate parent undertaking. These financial statements therefore present information about the Company as an individual undertaking and not about its Group.

(p) **Leases - Company as the lessor**

Properties leased out under operating leases are included in investment properties. All leases entered into by the Company have been designated as operating leases.

LEGAL & GENERAL PENSIONS LIMITED

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2018

2 Revenue

Revenue and pre-tax profit is mainly attributable to the Company's principal activities and arises from the properties held across the UK and Jersey.

Revenue recognised in the income statement is analysed as follows.

	2018	2017
	£000	£000
Rental and service charge income	92,828	82,146
Movement in prepaid rent	(1,363)	(2,003)
	<u>91,465</u>	<u>80,143</u>

3 Operating profit

Operating profit is stated after charging:

	2018	2017
	£000	£000
Auditor's remuneration		
- in relation to the audit of the financial statements of the Company	<u>28</u>	<u>26</u>

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

4 Investment income

	2018	2017
	£000	£000
Distribution income	1,868	2,782
Bank interest	629	70
	<u>2,497</u>	<u>2,852</u>

5 Interest payable and similar charges

	2018	2017
	£000	£000
Interest on loan notes	90,019	76,608
	<u>90,019</u>	<u>76,608</u>

6 Staff costs

The Company has no employees (2017: nil) and hence makes no contributions towards retirement benefits.

LEGAL & GENERAL PENSIONS LIMITED

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2018

7 Directors' emoluments

No emoluments were paid to any director nor were any direct pension contributions paid in respect of qualifying services to this Company (2017: £nil).

8 Tax on result

	2018 £000	2017 £000
Current tax		
UK corporation tax at 19% (2017: 19.25%)		
- Adjustments in respect of prior years	601	-
Total current tax charge	601	-
Deferred tax		
- Origination and reversal of timing differences	-	-
Total deferred tax charge	-	-
Tax charge on result	601	-

Factors affecting current tax charge for the year:

The total current tax for the year is the same as (2017: the same as) the standard rate of UK corporation tax:

	2018 £000	2017 £000
Profit before taxation	601	-
Tax calculated at the standard UK corporation tax rate of 19% (2017: 19.25%)	114	-
Effects of:		
Adjustments in respect of prior years	601	-
Income not subject to tax such as dividends	(114)	-
Expenses not deductible for tax purposes	-	(1,126)
Differences between taxable and accounting investment gains/losses	-	844
Difference between taxable & accounting realised gains/losses	-	282
Total current tax charge	601	-
- Origination and reversal of timing differences	-	-
Tax charge on profit	601	-

Following the 2016 Finance Act, the rate of Corporation Tax of 19% is applied from 1 April 2018 and is expected to reduce to 17% by 1 April 2020. 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% (2017: 19.25%), which is the rate of Corporation Tax applicable for the year.

Following the capital reorganisation in 2015 the Company's tax liability arising from UK revenue and expenses recognised in the income statement is borne by Legal & General Assurance Society.

LEGAL & GENERAL PENSIONS LIMITED

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2018

9 Dividends

There were no dividends paid or proposed in the current year (2017: £nil).

10 Investment properties

	2018 £000	2017 £000
Cost		
At 1 January	1,675,263	1,363,133
Additions	353,908	363,834
Disposals	(52,863)	(51,704)
At 31 December	<u>1,976,308</u>	<u>1,675,263</u>
Fair value gains		
At 1 January	201,007	91,849
Unrealised gain for the year	75,421	111,259
Realised gain / (loss) on disposals	1,973	(2,101)
At 31 December	<u>278,401</u>	<u>201,007</u>
Fair value		
At 31 December	<u>2,254,709</u>	<u>1,876,270</u>
Market value as estimated by external valuers	2,284,570	1,905,545
Less: lease incentive balance included in receivables	(29,861)	(29,275)
Fair value for financial reporting purposes	<u>2,254,709</u>	<u>1,876,270</u>

The Company's investment properties were valued as at 31 December 2018 by 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.

LEGAL & GENERAL PENSIONS LIMITED

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2018

11 Financial investments

Unquoted investments in property vehicles

	2018	2017
	£000	£000
Cost		
At 1 January	329,076	67,469
Additions	17,668	261,607
Disposals	(8,476)	-
At 31 December	338,268	329,076
Fair Value Gains		
At 1 January	(6,722)	(11,215)
(Loss) / gain for the year	(4,416)	4,493
At 31 December	(11,138)	(6,722)
Fair Value		
At 31 December	327,130	322,354

The investments comprise the following holdings

Entity name	Country of incorporation	% equity held
Canary Property Unit Trust	Jersey	100
Old Cornwall Limited	England and Wales	100
Sapphire Campus Management Company Limited	England and Wales	9.52
LGPL Cornwall Limited	England and Wales	100
SCBD S6 Trust	Jersey	100
Sheffield Vulcan House SPV Limited	Jersey	100
Stratford City Offices Jersey Unit Trust (No.2)	Jersey	100

The registered office of Old Cornwall Limited, Sapphire Campus Management Company Limited and LGPL Cornwall Limited is One Coleman Street, London, EC2R 5AA. The registered office of Canary Property Unit Trust, SCBD S6 Trust, Sheffield Vulcan House SPV Limited and Stratford City Offices Jersey Unit Trust (No.2) is 12 Castle Street, St Helier, Jersey, JE2 3RT. All entities are directly held investments with financial year end of 31 December.

12 Accounts receivable

	2018	2017
	£000	£000
Lease incentive receivable	29,861	29,275
Accrued income	427	958
Corporation tax refund from fellow group company	-	601
Amounts due from fellow group undertakings	311,483	-
VAT receivable	2,263	-
Prepayments and accrued income	25,998	19,441
Other receivables	835	17,032
	370,867	67,307
Due within 12 months	342,257	37,809
Due after 12 months	28,610	29,498
	370,867	67,307

LEGAL & GENERAL PENSIONS LIMITED

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2018

13 Accounts payable

	2018	2017
	£000	£000
Amounts due to fellow group undertakings	15,326	17,744
Trade creditors	2,002	-
Other creditors	9,711	25,967
Accruals and deferred income	17,334	15,971
	<u>44,373</u>	<u>59,682</u>

14 Called up share capital

	2018	2017
	£000	£000
Issued: 1 Ordinary share of £1 fully paid (2017: 1 Ordinary share of £1 fully paid)	-	-
	<u>-</u>	<u>-</u>

The holders of the Company's ordinary shares are entitled to receive dividends as declared and are entitled to one vote per share at shareholder meetings of the Company.

15 Post balance sheet events

There are no significant post balance sheet events to report.

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.

17 Deferred tax liability

	2018	2017
	£000	£000
At 1 January	1,032	1,032
Charge to income statement	-	-
At 31 December	<u>1,032</u>	<u>1,032</u>

The deferred tax balances are as follows:

Other temporary differences	<u>1,032</u>	<u>1,032</u>
-----------------------------	--------------	--------------

LEGAL & GENERAL PENSIONS LIMITED

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2018

18 Payables and other financial liabilities

Loan Notes

	2018 £000	2017 £000
Cost		
At 1 January	2,127,077	1,584,905
Issue	849,953	593,822
Redemption	(52,735)	(51,650)
At 31 December	<u>2,924,295</u>	<u>2,127,077</u>
Fair value losses		
Opening balance	112,666	(6,834)
Loss / (gain) for the year	75,747	120,137
Redemption	928	(637)
At 31 December	<u>189,341</u>	<u>112,666</u>
At 31 December	<u>3,113,636</u>	<u>2,239,743</u>
Due within 12 months	94,750	78,021
Due after 12 months	<u>3,018,886</u>	<u>2,161,722</u>
	<u>3,113,636</u>	<u>2,239,743</u>

On 26 November 2015 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 Assurance Society Limited ("LGAS").

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 typically 45 days following each quarterly rent. The fair values of the rental income notes are calculated based on the value of the future rents receivable on the associated lease, with changes in fair value recognised through profit and loss.

The fair values of the residual value notes are based on the residual value of the underlying property relating to that residual value note, as calculated by the Calculation Agent (a Party appointed by LGAS) when a payment is due to be made in respect of such residual value notes, in accordance with the agreed valuation methodology. Changes in the fair value of the residual value notes are recognised through profit and loss.

The LERA represents the funding of the operating expenses of the Company from LGAS and is used to cover certain aspects of property management services, any additional unforeseen expenses and provide liquidity to ensure the Company remains a going concern. A fixed Lease Rental Retention, calculated as 1.25% of rental income for each specific lease, has been set to cover expenses incurred in managing each lease/property and generate a small profit. Under this agreement LGAS have the right to bill the Company for the difference between the actual expenses (estimated to be approximately 0.9% of rental receipts) and the fixed Lease Rental Retention of 1.25%. LGAS' fee is therefore expected to be 0.35%. These charges would remove any excess profit/loss in the Company and transfer them to LGAS. This element of the LERA agreement is accounted for as a financial instrument at fair value through profit or loss. The fair value would represent the discounted net present value of the future charges expected to be billed to/ from LGAS to the Company.

18 Payables and other financial liabilities (continued)

The Company and LGAS recognise that there is a risk that the expenses of the Company may exceed the fixed Lease Rental Retention and LGAS agrees to bear such risk. It is therefore intended that LGAS will reimburse the Company for any amount payable in excess of the fixed Lease Rental Retention. In consideration for such reimbursement by LGAS, where the expenses are less than the fixed Lease Rental Retention, the Company will pay the difference to LGAS.

19 Ultimate parent undertaking

The immediate parent company is Legal & General Assurance Society Limited.

The ultimate parent company is Legal & General Group Plc, a company incorporated in England & Wales and domiciled in the UK - 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.

20 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.

LEGAL & GENERAL PENSIONS LIMITED

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2018

21 Commitments

(a) Capital commitments

Authorised and contracted commitments not provided for, in respect of investment property development payable after the year end, has been disclosed below:

	2018	2017
	£000	£000
Capital commitments	<u>491,783</u>	<u>15,753</u>

(b) Operating leases

	2018	2017
	£000	£000
The future aggregate minimum lease payment under non-cancellable operating leases are as follows:		
- Not later than 1 year	199	29
- Later than 1 year and not later than 5 years	798	118
- Later than 5 years	<u>26,326</u>	<u>2,036</u>
	<u>27,323</u>	<u>2,183</u>

Future aggregate minimum sublease payments to be received under operating subleases are as follows:

- Not later than 1 year	2,908	121
- Later than 1 year and not later than 5 years	11,873	483
- Later than 5 years	<u>58,533</u>	<u>2,575</u>
	<u>73,314</u>	<u>3,179</u>

The future aggregate minimum lease receivables under non-cancellable operating leases are as follows:

- Not later than 1 year	96,076	90,247
- Later than 1 year and not later than 5 years	398,083	363,110
- Later than 5 years	<u>2,196,610</u>	<u>2,081,567</u>
	<u>2,690,769</u>	<u>2,534,925</u>