

LEGAL & GENERAL PROPERTY LIMITED

REPORT AND FINANCIAL STATEMENTS

Company Number: 02091897

31 December 2018

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LEGAL & GENERAL PROPERTY LIMITED

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Registered Office:
One Coleman Street
London
United Kingdom
EC2R 5AA
Registered in England & Wales No. 02091897

LEGAL & GENERAL PROPERTY LIMITED
STRATEGIC REPORT
For the year ended 31 December 2018

The directors present their Strategic report on Legal & General Property Limited ("the Company") for the year ended 31 December 2018. With effect from 14 January 2005, the Company became an authorised person under Part IV of the Financial Services and Market Act 2000. This covers the general insurance activities provided by the Company in relation to property management services. The Company is regulated by the Financial Conduct Authority.

Business review and future developments

The Company recorded £2.3bn of transactions on behalf of client funds in 2018 and continues to act as one of the most active institutional investors in the UK commercial property and build to let market. Property returns for 2018 exceeded 10% on average with industrials and annuity style assets delivering strong capital growth in particular.

The Company's range of products attracted £296m of net new business in 2018 and the Company remains well positioned to attract capital from existing and prospective clients.

Principal risks and uncertainties

The Company's business involves the management of risk. The principal risks and uncertainties facing the Company are shown below.

1) Financial Markets and Economic Conditions

The Company manages investments primarily in commercial property. The performance and liquidity of the property sector, interest rate movements and inflation can impact the value of these investments. This in turn may impact the earnings, profitability and the capital requirements of the Company. Significant falls in investment asset values can impact fee income from investment management activities, whilst broader economic conditions can influence the demands for investment products and the period over which the business is retained.

Global investment markets have returned to pre-financial crisis levels, responding both to the more positive economic outlook and the conditions created by the monetary policies being exercised by central banks. However, there is limited resilience in the current environment for "shocks" such as those from an abrupt change in monetary policy or heavily indebted Euro zone countries unwinding their positions, with potential for significant falls in the value of certain asset classes should markets reassess risk and returns. Economic shocks may impact occupier and consumer attitudes in the markets in which we operate.

Competitor activity and changes in market product shape and client requirements would impact the Company's ability to raise new funds. The Company's principal business channel is the commercial property market and uncertainty in this market would limit investment from new and existing clients.

Principal risks and uncertainties (continued)

1) Financial Markets and Economic Conditions (continued)

The Company's revenue is primarily based on the value of funds under management invested in the property markets. Whilst the Company holds capital and performs stress tests for falls in asset values, a fall in these investment markets, extreme events in other markets in which the Group has no direct involvement, or a failure in market infrastructure would adversely impact the fee income earned by the Company and profitability.

2) Confidence in the Financial Services Sector and specifically the Company

Events in the financial services sector outside the control of the Company and the Group may impact earnings and profitability, due to their potential impact on the value of funds under management. A number of these potential events are beyond the Group's control although the Group seeks wherever practicable to mitigate the effects of these contagion risks. Historically such events have included:

- Failings by competitors, or
- Actions by regulators within the industry, or
- Shock events such as significant market failures, or
- Adverse performance of investment markets

In addition, internal processes and client service standards, whilst carefully controlled and managed, may fail or be impacted by, say, fraud or IT systems failure, giving rise to adverse client reaction and a resultant loss of existing clients or inability to write new business.

The L&G Group actively engages with regulators as well as promoting effective governance to support understanding of risk drivers in the markets in which it operates.

3) Regulation and Legislation

The markets in which the Company operates are highly regulated, with regulation and legislation defining the overall framework for the design, marketing and distribution of products, the acceptance and administration of business, and the prudential capital that regulated companies should hold. Legislation and government fiscal policy may also influence the design of products and impact future business. Additionally, the volume of regulatory and legislative change is increasing globally which can impact the Company.

The Company's activities and strategies are based upon prevailing legislation and regulation, with continuous monitoring to ensure that the Company meets its regulatory obligations. Sudden, unanticipated changes in fiscal policy or legal and regulatory regimes without consultation or advanced notification to the sector, or the differing interpretation and application of regulation over time, may have a detrimental effect on the Company's strategy and profitability. Fundamental changes in regulation, such as those that may arise from market events, may also impact strategies.

Principal risks and uncertainties (continued)

4) Counterparty and Third Party Risk

The Company has reliance on a number of third parties which undertake or advise on transactions as part of the investment and disposal processes, or custodian services in respect of client assets. Despite the rigorous selection process and continuous monitoring of performance, the financial failure of a third party or the inability to perform obligations would impact the reputation of the Company and could adversely impact client funds under management.

The ultimate parent continues to experience a very low level of actual defaults, with no losses during the year. However, while we assess the occurrence of a major bank default or Sovereign event as being a more extreme outcome than in previous years, the risk and associated uncertainties remain. The current economic environment also presents an increased risk that suppliers of bespoke services to the Company may fail.

5) Failure to maximise opportunities in the Pensions and Insurance Markets and distribution formats

Significant changes in the markets in which we operate may require the review and realignment of elements of our business strategy. A failure to be sufficiently responsive to potential change and understand the implications to our business, or the incorrect execution of change may impact the achievement of our strategic objectives.

The nature of the products and structures that pensions and investment clients choose to invest their assets in is influenced by a number of factors outside the immediate control of the Company including government policy, taxation, competitor activity, social conditions, distribution models and the general economic environment. Uncertainty over any of these factors may have a detrimental effect on the markets in which the Company operates and potential earnings. In particular, significant changes in government policy that relate to pension provision and/or significant price pressure from competitors may lead to a re-assessment by clients and consultants as to how they wish their future investment activity to be delivered, and result in significant movements of assets away from the Company.

6) Material failure in business processes

Whilst the Company has constructed a framework of governance and internal controls to minimise the risk of unanticipated loss or damage to our reputation, no system of internal control can completely eliminate the risk of error, financial loss, fraudulent actions or reputational damage.

The Company's plans for growth bring new risks and will introduce new processes and systems changing the profile of operational risks across the business. Accordingly, the Company continues to invest in system capabilities and business processes to ensure that we meet the expectations of our customers, comply with regulatory, legal and financial reporting requirements, and mitigate the risks of loss or reputational damage from operational risk events. In addition to these, the Company has a strong focus on Risk Culture and continually seeks to ensure our core values are understood and followed across our footprint.

Principal risks and uncertainties (continued)

7) Cyber Crime

The financial services sector is increasingly becoming a target of "cyber crime". As we and our business partners increasingly digitalise our businesses, we are inherently exposed to the risk that third parties may seek to disrupt our operations, steal customer data or perpetrate acts of fraud using digital media. A significant cyber event could result in reputation damage and financial loss.

The Company is focused on ensuring that it maintains a robust and secure IT environment that protects its customer and corporate data and minimises the potential for the penetration of cyber acts. Processes exist to evaluate the securities of systems and proactively address emerging threats.

8) Brexit

Following Parliament's double rejection of the Government's deal to leave the EU, failed vote of no confidence in the Government, and subsequent political turmoil through various further parliamentary votes and amendments around a deal and the backstop, we are still unclear on the final outcomes. Despite various amendments in early March to avoid no deal and push for a delay to Brexit, the circumstances change day by day. We continue, however, to monitor the on-going discussions and negotiations to inform our contingency planning.

LGIM is comfortable with its preparations despite this uncertainty, and has realigned its business model to cope with a short notice no-deal scenario and capitalise on all likely outcomes. Scenario planning has occurred, and there are measures in place to monitor and manage rapidly changing political and economic circumstances.

Key performance indicators

The directors review a range of performance indicators to monitor the performance of the Company. Operating profit and funds under management are regarded as key performance indicators.

- Operating profit for the year was £28.2m (2017: £26.1m);
- Funds under management at the end of the year were £18.9bn (2017: £17.5bn).

The Company's operating profitability increased in 2018, reflecting the contribution of development management fees to overall revenues from an increased number of Build to Rent schemes under management and a general increase in ad valorem revenues from the upward trend in funds under management.

By Order of the Board



Paul Sweeney
For and on behalf of Legal & General Co Sec Limited
Company Secretary
28 March 2019

LEGAL & GENERAL PROPERTY LIMITED
DIRECTORS' REPORT
For the year ended 31 December 2018

The directors present their annual report together with the audited financial statements of Legal & General Property Limited for the year ended 31 December 2018.

Principal activities

The principal activities of Legal & General Property Limited ("the Company") are to provide property investment management and development services to property clients. The Company does not envisage any change in its activities in the foreseeable future.

Events after the reporting date

There are no significant events after the reporting date to disclose.

Result for the year and dividend

The results of the Company are set out on page 9. In 2018, the directors declared the payment of a dividend of £20m (2017: £18m).

Going concern

No material uncertainties that cast significant doubt about the ability of the Company to continue as a going concern have been identified by the directors.

Financial risk

The Company's exposure to financial risk through its financial assets and liabilities is not considered material to the assessment of the Company's assets, liabilities, financial position and the profit and loss of the Company.

Directorate

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

G Aitchison
A Banks
M Barrie, MRICS
S Boylan (Resigned 18/01/2019)
P A Edwards, MRICS
W Hughes
K Laurenson
R Martin
C Walker (Resigned 14/06/2018)
M Zinkula

Directors' indemnities and insurance

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

LEGAL & GENERAL PROPERTY LIMITED
DIRECTORS' REPORT (CONTINUED)
For the year ended 31 December 2018

Independent auditor

Following a tender process in 2017, KPGM LLP were appointed as the Company's external auditor commencing with the 2018 financial year and its appointment was approved by the Company's shareholder. In accordance with section 489 of the Companies Act 2006, a resolution for the re-appointment of KPMG LLP as auditor of the Company is to be proposed at the forthcoming Legal & General Group Plc Annual General meeting.

Statement of directors' responsibilities in respect of the Directors' report and the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law 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 accounting 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 to prevent and detect fraud and other irregularities.

Statement of disclosure of information to the independent 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/she has taken all the steps that he/she ought to have taken as a director in order to make him or herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

By Order of the Board



Paul Sweeney
For and on behalf of Legal & General Co Sec Limited
Company Secretary
28 March 2019

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

Opinion

We have audited the financial statements of Legal & General Property Limited ("the company") for the year ended 31 December 2018 which comprise the statement of comprehensive income, the statement of financial position, 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 profit 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 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.

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 6, 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
 28 March 2019

LEGAL & GENERAL PROPERTY LIMITED
STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2018

	Note	2018 £	2017 £
Revenue	1(f)	67,968,401	61,890,696
Gross profit		<u>67,968,401</u>	<u>61,890,696</u>
Administrative expenses		(39,705,290)	(35,859,178)
Other operating income	4	161	5,391
Other gains/losses - net	4	(37,041)	28,660
Operating profit		<u>28,226,231</u>	<u>26,065,569</u>
Profit before taxation		<u>28,226,231</u>	<u>26,065,569</u>
Tax on profit	6	(5,318,296)	(4,672,173)
Profit and total comprehensive income for the financial year		<u>22,907,935</u>	<u>21,393,396</u>

There was no other comprehensive income other than that included in the above Statement of Comprehensive Income.

The notes on pages 12 to 23 form an integral part of these financial statements.

LEGAL & GENERAL PROPERTY LIMITED
STATEMENT OF FINANCIAL POSITION
For the year ended 31 December 2018

	Note	2018 £	2017 £
Assets			
Fixed assets			
Investments	8	140,307	157,411
Total fixed assets		<u>140,307</u>	<u>157,411</u>
Current assets			
Trade and other receivables	9	41,473,506	22,195,883
Cash and cash equivalents		2,559,413	5,472,431
Total current assets		<u>44,032,919</u>	<u>27,668,314</u>
Total assets		<u>44,173,226</u>	<u>27,825,725</u>
Liabilities			
Current liabilities			
Trade and other payables	12	(36,131,215)	(22,691,649)
Total current liabilities		<u>(36,131,215)</u>	<u>(22,691,649)</u>
Total liabilities		<u>(36,131,215)</u>	<u>(22,691,649)</u>
Net assets		<u>8,042,011</u>	<u>5,134,076</u>
Equity			
Called up share capital	13	2	2
Other reserves		327	327
Retained earnings		8,041,682	5,133,747
Total equity		<u>8,042,011</u>	<u>5,134,076</u>

The notes on pages 12 to 23 form an integral part of these financial statements.

The financial statements on pages 9 to 23 were authorised for issue by the board of directors on 28 March 2019 and were signed on its behalf by

W Hughes, Director

Legal & General Property Limited
Registered in England & Wales No. 02091897

A. Banks

A Banks, Director

LEGAL & GENERAL PROPERTY LIMITED
STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2018

	Called up share capital £	Other reserves £	Retained earnings £	Total equity £
Balance as at 1 January 2018	2	327	5,133,747	5,134,076
Profit for the financial year	-	-	22,907,935	22,907,935
Total comprehensive income for the year	-	-	22,907,935	22,907,935
Dividends	-	-	(20,000,000)	(20,000,000)
Balance as at 31 December 2018	2	327	8,041,682	8,042,011
Balance as at 1 January 2017	2	327	1,895,351	1,895,680
Profit for the financial year	-	-	21,393,396	21,393,396
Transfer of subsidiaries to group companies			(155,000)	(155,000)
Total comprehensive income for the year	-	-	21,238,396	21,238,396
Dividends	-	-	(18,000,000)	(18,000,000)
Balance as at 31 December 2017	2	327	5,133,747	5,134,076

The notes on pages 12 to 23 form an integral part of these financial statements.

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) Basis of preparation

The financial statements of Legal & General Property Limited have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS101). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings and derivative financial assets and financial liabilities measured at fair value through profit and loss, and in accordance with the Companies Act 2006.

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

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

The following paragraphs of IAS 1, 'Presentation of financial statements':

- 10(d), (statement of cash flows)
- 10(f) (a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements),
- 16 (a statement of compliance with all IFRS),
- 38A (requirement for minimum of two primary statements, including cash flow statements),
- 38B-D (additional comparative information),
- 40A-D (requirements for a third statement of financial position), and
- 111 (cash flow statement information)
- IAS 7, 'Statement of cash flows'
- Paragraph 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective)
- Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation)
- The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group.

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

1 Summary of significant accounting policies (continued)

(c) Going concern

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

(d) Investments

The group undertakings are held at cost less impairment and the unlisted investments are held at market value.

(e) Cash and cash equivalents

Cash and cash equivalents includes cash in hand and deposits held at call with banks.

(f) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable. Fund management fees are recognised on an accruals basis. Performance fees are recognised only when the fee is certain. Fees are derived from the following bases of agreements with clients:

- funds under management;
- out-performance of fund against benchmark;
- property rent roll under management;
- development activity; and
- advisory fees

(g) Expense recognition

Expenses are included on an accruals basis and comprise primarily the expenses incurred in property fund management together with corporate expenses. Other costs are accounted for as they arise.

(h) Current and deferred income 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.

LEGAL & GENERAL PROPERTY LIMITED
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2018

1 Summary of significant accounting policies (continued)

(h) Current and deferred income 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 tax 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.

(i) Dividend distribution

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) Trade & other receivables

Receivables are recognised in the statement of financial position, 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.

(k) Trade and other payables

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

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

2 Critical accounting estimates and judgements

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

3 Audit fees

Profit before taxation is stated after charging:

	2018	2017
	£	£
Audit fees payable to the Company's auditor	<u>87,000</u>	<u>77,753</u>

4 Other income/(expenses)

	2018	2017
	£	£
Income receivable from group undertakings	-	-
Income from other fixed asset investments	-	-
Interest receivable and similar income	<u>161</u>	<u>5,391</u>
	161	5,391
Fair value (loss)/gain on investments	(11,095)	1,754
Realised (loss)/gain on disposal	<u>(25,947)</u>	<u>26,906</u>
	<u>(36,881)</u>	<u>34,051</u>

LEGAL & GENERAL PROPERTY LIMITED
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2018

5 Directors' emoluments

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

	2018	2017
	£	£
Short-term employee benefits	1,275,751	1,331,632
Social security costs	216,462	168,152
Post-employment benefits	25,088	56,101
Other long-term benefits	-	550,905
Share-based incentive awards	141,773	60,900
	<u>1,659,074</u>	<u>2,167,690</u>

No fees were paid by the Company to the directors; emoluments relate to salaries and performance bonuses.

During the year, retirement benefits were accruing to 1 director (2017: 1) under the defined benefit pension scheme.

2 director exercised share options during the year (2017: 1).

The aggregate defined benefit amount has been calculated using the change in transfer value. This reflects the movement in gilt and corporate bonds yields, inflation and mortality assumptions within the defined benefit scheme.

Highest paid director:

The highest paid director's emoluments were as follows:

	2018	2017
	£	£
Highest paid director:		
Emoluments	362,717	357,197
Other long-term benefits	-	355,091
Post-employment benefits	16,531	9,000
Share-based incentive awards	88,236	9,000
	<u>467,484</u>	<u>730,288</u>

The highest paid director exercised share options during the year and received shares under the Employee Share Plan (ESP) and Share Bonus Plan (SBP).

LEGAL & GENERAL PROPERTY LIMITED
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2018

6 Tax on profit

	2018 £	2017 £
<u>Current tax</u>		
UK corporation tax at 19% (2017: 19.25%)		
- Current tax on profits for the year	5,345,608	4,966,715
- Adjustments in respect of prior years	(27,384)	(209,054)
Total current tax charge	<u>5,318,224</u>	<u>4,757,661</u>
<u>Deferred tax</u>		
- Adjustment in respect of prior year deferred tax	72	-
Movement in temporary differences	-	
- Total unrealised gains / (losses) likely to reverse at 18-19%	-	(85,488)
Total deferred tax charge/(credit)	<u>72</u>	<u>(85,488)</u>
Tax charge on profit on ordinary activities	<u>5,318,296</u>	<u>4,672,173</u>

Factors affecting tax charge for the year:

Tax expense for the year is lower (2017: lower) than the standard rate of corporation tax in the UK for the year ended 31 December 2018 of 19% (2017: 19.25%). The differences are explained below:

	2018 £	2017 £
Profit before taxation	<u>28,226,231</u>	<u>26,065,569</u>
Tax calculated at the standard UK corporation	5,362,984	5,017,622
<i>Effects of:</i>		
Adjustments in respect of prior years	(27,384)	(209,054)
Movement in temporary differences	72	-
Income not subject to tax, such as dividends	(17,376)	(33)
Difference between taxable & accounting gains / losses	-	(147,677)
Impact on reduction in UK corporate tax rate on deferred tax balances	-	11,315
Tax Charge	<u>5,318,296</u>	<u>4,672,173</u>

LEGAL & GENERAL PROPERTY LIMITED
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2018

6 Tax on profit (continued)

Factors which may affect future tax charges

Tax rates

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

7 Dividends

	Per share	Per share	Total	Total
	2018	2017	2018	2017
	£	£	£	£
Dividends approved	<u>10,000,000</u>	<u>9,000,000</u>	<u>20,000,000</u>	<u>18,000,000</u>

LEGAL & GENERAL PROPERTY LIMITED
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2018

8 Investments

	Shares in Unlisted Investments £
At 1 January 2018	14,332
Additions	0
Disposals	(34)
Gain/(loss) on revaluation	(11,095)
Realised gain on disposal	
At 31 December 2018	<u>3,203</u>
	Group undertakings £
Cost at 1 January 2018	143,079
Additions	19,937
Disposals	(25,912)
Cost at 31 December 2018	<u>137,104</u>
Total Investments at 31 December 2017	<u>157,411</u>
Total Investments at 31 December 2018	<u>140,307</u>

The directors believe that the carrying value of the investments is supported by their underlying net assets.

Subsidiary undertakings

The subsidiary undertakings of Legal & General Property Limited are listed below. Each undertaking operates mainly in its country of incorporation and has only one class of issued ordinary shares, unless stated otherwise.

Held directly by the Company	Nature of business	Incorporated in
Chineham General Partner Limited	General Partner to the Chineham Shopping Centre Limited Partnership	England & Wales
Gresham Street General Partner Limited	General Partner to the Gresham Street Limited Partnership	England & Wales
Legal & General Property Partners (Leisure) Limited	General Partner to The Leisure Fund Limited Partnership	England & Wales

LEGAL & GENERAL PROPERTY LIMITED

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

8 Investments (continued)

Subsidiary undertakings

The subsidiary undertakings of Legal & General Property Limited are listed below. Each undertaking operates mainly in its country of incorporation and has only one class of issued ordinary shares, unless stated otherwise.

Held directly by the Company	Nature of business	Incorporated in
Access Development General Partner Limited	General Partner to the Access Development Limited Partnership	England & Wales
Performance Retail General Partner Limited	General Partner to the Performance Retail Limited Partnership	England & Wales
Stratford City Offices (No 2) GP Limited	General Partner to Stratford City Offices No. 2 Limited Partnership	Jersey
Legal & General Property Partners (Life Fund) Limited	General Partner to the Legal & General Life Fund Limited Partnership	England & Wales
Legal & General Property Partners (UK PIF) Limited	General Partner to the Legal & General UK Property Income Ungeared Fund L.P.	England & Wales
Legal & General Property Partners (UK PIF Geared) Limited	General Partner to the Legal & General UK Property Income Geared Fund L.P.	England & Wales
Northampton General Partner Limited	General Partner to the Northampton Shopping Centre Limited Partnership	England & Wales
LGP Newco Limited	Investment holding vehicle	England & Wales

LEGAL & GENERAL PROPERTY LIMITED
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2018

8 Investments (continued)

Subsidiary undertakings (continued)

Held directly by the Company	Nature of business	Incorporated in
UK PIF Two Founder GP Limited	General Partner to the UK PIF Two Founder Partner LP	Scotland
Legal & General Property Partners (UK PIF Two) Limited	General Partner to the Legal & General UK Property Income Ungedared Fund Two L.P.	England & Wales
Legal & General Property Partners (UK PIF Two Geared) Limited	General Partner to the Legal & General UK Property Income Geared Fund Two L.P.	England & Wales
Legal & General Property Partners (Industrial Fund) Limited	General Partner to The Industrial Property Investment Fund Limited Partnership	England & Wales
Bishopsgate Long Term Property Fund General Partner Limited	General Partner to the Bishopsgate Long Term Property Fund	Jersey
Vantage London General Partner Limited	General Partner to the Vantage London Property Fund	Jersey

Unlisted investments

The unlisted investments of Legal & General Property Limited are listed below. Each investment operates mainly in its country of incorporation and has only one class of issued ordinary shares, of which a proportion,

Held directly by the Company	Nature of business	Incorporated in
Central Saint Giles General Partner Limited	General Partner to the Central Saint Giles Limited Partnership	England & Wales
Holding 50%		

The below undertaking operates mainly in its country of incorporation and has three classes of issued ordinary shares, of which a proportion, as listed below, are held by Legal & General Property Limited.

245 Hammersmith Road GP Limited	General Partner to the 245 Hammermith Limited Partnership	England & Wales
Holding 50%		

LEGAL & GENERAL PROPERTY LIMITED
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2018

8 Investments (continued)

Held directly by the Company	Nature of business	Incorporated in
245 HR GP LLP	General Partner to the 245 Hammermith Limited Partnership	England & Wales
Holding 50%		
Bracknell GP Limited	General Partner to the Bracknell GP Limited Partnership	England & Wales
Holding 50%		
ECF (General Partner) Limited	General Partner to the English Cities Fund	England & Wales
Holding 33.3%		

9 Trade and other receivables

Current	2018	2017
	£	£
Trade debtors		
Amounts owed by group / subsidiary undertakings	32,191,329	18,553,793
VAT Asset	710,133	-
Other debtors	7,400,284	2,369,808
Prepayments and accrued income	1,171,760	1,272,210
Deferred tax asset	-	72
	<u>41,473,506</u>	<u>22,195,883</u>

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

10 Deferred tax asset

	2018	2017
	£	£
At 1 January	72	-
Amount credited/(debited) in the Income Statement	<u>(72)</u>	<u>72</u>
At 31 December	<u>-</u>	<u>72</u>

The 2017 balance relates to accelerated capital allowances.

LEGAL & GENERAL PROPERTY LIMITED
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2018

11 Deferred tax liability	2018	2017
	£	£
At 1 January	-	(85,416)
Amount debited/(credited) in the Income Statement	-	85,416
At 31 December	<u>-</u>	<u>-</u>

The Company has previously recognised unrealised capital losses on investments. Deferred tax is calculated on differences between the accounting value of assets and liabilities and their respective tax values. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity or other comprehensive income.

12 Trade and other payables	2018	2017
Current	£	£
Amounts due to group / subsidiary undertakings	27,189,115	11,260,475
Corporation tax liability	5,709,998	4,769,416
VAT liability	-	536,162
Other creditors	3,232,102	5,498,688
Accruals and deferred income	-	626,908
	<u>36,131,215</u>	<u>22,691,649</u>

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

13 Called up share capital

Issued share capital, ordinary shares fully paid

	Number of shares	Share capital
As at 1 January	2	2
Issued shares during the year	-	-
As at 31 December	<u>2</u>	<u>2</u>

14 Ultimate parent undertaking

The immediate parent company is LGIM Real Assets Limited.

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

15 Cash flow statement

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

16 Related party transactions

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

See Note 5 for disclosure of the directors' remuneration.

17 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 www.legalandgeneralgroup.com

18 Subsequent events

Subsequent to the balance sheet date, there has not been any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, to affect significantly the operations of the Company, the results of those operations, or the state of affairs, in future financial years.