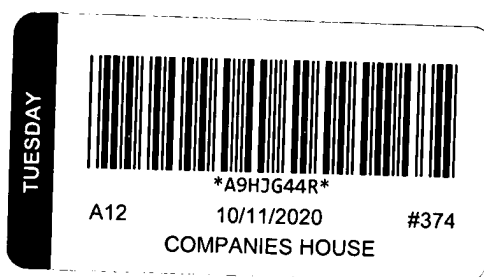


Company Number: 05935873

LEGAL & GENERAL PENSIONS LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019



LEGAL & GENERAL PENSIONS LIMITED

CONTENTS

Page

3	Strategic Report
7	Directors' Report
9	Independent Auditor's Report to the members of Legal & General Pensions Limited
11	Income Statement
12	Balance Sheet
13	Statement of Changes in Equity
14	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 2019.

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 on-going 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.

Refer to page 7 for details over the impact of COVID-19.

Financial key performance indicators

As at 31 December 2019, the property portfolio consisted of 46 properties (31 December 2018: 39 properties) and was valued at £3,206m (2018: £2,284m).

The results of the company are set out on page 11. The directors do not recommend the payment of a dividend (2018: £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.

SECTION 172(1) STATEMENT & STAKEHOLDER ENGAGEMENT

The Board of Legal & General Pensions Limited consider that they have adhered to the requirements of section 172 of the Companies Act 2006 and have, in good faith, acted in a way that they consider would be most likely to promote the success of the company for the benefit of its shareholders as a whole and, in doing so, have had regard to and recognised the importance of considering all stakeholders and other matters (as set out in s.172(1)(a-f) of the Act) in its decision-making.

As part of the wider Legal & General Group (the "Group"), taking into account the relative size and complexity of Legal & General Pensions Limited and centralised nature of the Group, the Board may consider it reasonable for decision making to be handled by the Group Board. In such cases, this will be articulated in the statement and reference provided to the appropriate section of the Group's Annual Report & Accounts.

LEGAL & GENERAL PENSIONS LIMITED**STRATEGIC REPORT**

SECTION 172(1) STATEMENT & STAKEHOLDER ENGAGEMENT (CONTINUED)

The new reporting legislation around stakeholder engagement is welcomed by the Board and the commentary and table below sets out our s.172(1) statement. This statement provides details of key stakeholder engagement undertaken by the Board during the year and how this helps the Board to factor potential impacts on stakeholders in the decision making process. Additional details of the Group's key stakeholders and why they are important to us are set out on pages 14 and 15 in the Group's Annual Report & Accounts, which can be found here <https://www.legalandgeneralgroup.com/investors/results-reports-and-presentations/>

General

The Legal & General Group promotes the highest standards of governance and ensures that these standards cascade throughout the Group and its subsidiaries. Guiding principles are in place for the relationship between the Group Board and the Boards of the Group's principal subsidiaries. This framework promotes full and effective interaction across all levels of the Group to support the delivery of strategy and business objectives within a framework of best corporate governance practice. A full description of the Group's governance arrangements can be found in the Group Annual Report & Accounts, which can be found here <https://www.legalandgeneralgroup.com/investors/results-reports-and-presentations/>

Corporate governance underpins how we conduct ourselves as a Board, our culture, values, behaviours and how we do business. As a Board we are conscious of the impact that our business and decisions have on our direct stakeholders as well as our wider societal impact.

As part of the director induction process, directors are briefed on their duties, including their duty under s.172 of the Companies Act 2006. The directors are entitled to request from the Company all such information they may reasonably require in order to be able to perform their duties as directors, including professional advice from either the Company Secretary or from an independent advisor at the Company's expense. On-going training is provided to the directors, as required, to ensure that their knowledge remains up to date and they continue to be able to discharge their duties as directors.

Last year we implemented a new standard practice across the Group which requires that all Group and subsidiary Board papers demonstrate that stakeholders have been considered. Details of this have been included in the cover sheet for each Group and subsidiary Board papers throughout the year. For each transaction approved by the Board, including but not limited to material acquisitions and strategic expansion, discussion takes place around employee impact and impact on other stakeholders, such as customers. The relevance of each stakeholder group may vary by reference to the issue in question, so the Board seeks to understand the needs of each stakeholder group and any potential conflicts as part of its decision-making. Additionally, the Group or subsidiary Company Secretary is on hand to provide support to the Board in ensuring that sufficient consideration and time is given to stakeholder issues during these discussions

Principal decisions

For the year ending 31 December 2019, the Board consider that the following are examples of principal decisions that it made in the period:

- Approval of the 2018 Annual Report and Financial Statements.

LEGAL & GENERAL PENSIONS LIMITED**STRATEGIC REPORT****SECTION 172(1) STATEMENT & STAKEHOLDER ENGAGEMENT (CONTINUED)**

The table below sets out our key stakeholders and how we have engaged with them in the period, as well as demonstrating stakeholder consideration in the decision making process.

Stakeholders	The Board's approach to stakeholder engagement	Stakeholder consideration in the Board's decision making
Shareholders Our shareholders are vital to the future success of our business, providing funds which aid business growth and the generation of sustainable returns.	Our ultimate shareholder is Legal & General Group Plc, whose shareholders are institutional and individual investors who own Legal & General shares or bonds. Performance metrics and updates are provided by the Board to our parent company, with subsidiary performance cascaded up the Group.	As a Board, we aim to provide clear information to our parent company and ultimate shareholders, being honest and transparent as to the performance of the business. Value is generated for shareholders by achieving the business plan, providing a sustainable, progressive dividend (where appropriate) and through share price performance of the ultimate shareholder, Legal & General Group Plc.
Customers Listening to our customers helps us to better understand their needs and provide suitable and reliable products and services.	Our Group teams are dedicated to making sure we constantly refine what we do – making customers feel confident that we're delivering our promises to them in everything we do.	The principal activity of the Company is an investment Special Purpose Vehicle. As such, it has no direct external customers and, therefore, the Board consider it appropriate that customer engagement and decision making is undertaken at Group level.
Workforce Engaging with our people enables us to create an inclusive company culture and a positive working environment.	At the start of the year the Group moved from a traditional annual employee survey to a 'Voice Survey' of more frequent digital listening, giving real-time employee feedback and allowing us to create a better dialogue with the workforce. Following these surveys, action plans at Group, divisional and local level are put into place. While at Group level there is a Designated Workforce Director on the Board. These methods of engagement ensure that we continue to foster an inclusive and supportive working environment for our employees, thus ensuring the sustainability of the company in the long term.	The Company does not have any direct employees. Staff member supporting the Company are either employed by the parent, Legal & General Investment Management (Holdings) Limited or an affiliate, Legal & General Resources Limited.
Suppliers Interaction with our suppliers and treating our suppliers fairly allows us to drive high standards and reduce risk in our supply chain whilst also benefitting from cost efficiencies and generating positive for the environment and wider society.	As a Group we hold regular meetings with our key suppliers ensuring risks are proactively managed and they are up to date on latest developments and best practice. We strive to work with like-minded businesses, requiring suppliers to comply with our Supplier Code of Conduct. This safeguards the relationship and establishes standards that ensure suppliers operate ethically, are environmentally responsible and that their workers are treated with respect and dignity.	Due to the centralised nature of the Group, the Board consider it appropriate that supplier engagement and decision making is undertaken at Group level.

LEGAL & GENERAL PENSIONS LIMITED**STRATEGIC REPORT****SECTION 172(1) STATEMENT & STAKEHOLDER ENGAGEMENT (CONTINUED)**

Stakeholders	The Board's approach to stakeholder engagement	Stakeholder consideration in the Board's decision making
Community/wider society Contributing positively to wider society enables us to create stronger communities and have a positive environmental impact.	Our purpose is to improve the lives of our customers, build a better society for the long term and create value for our shareholders. This inspires us to use our long-term assets in an economically and socially useful way to benefit everyone in our communities. Our approach to inclusive capitalism takes our belief in responsible behaviour and extends it into investing in communities and cities to change people's lives for the better. The Group's full Corporate Responsibility Report can be found here: https://www.legalandgeneralgroup.com/csr/csr-reports/ .	The Group has a Group Corporate Responsibility & Ethics ("GCRE") Committee which has responsibility and oversight of such matters. The Group Board approve the GCRE Policy on an annual basis and this is implemented across the Group. A senior leadership event, held in November 2019, and attended by senior leaders across the Group, focussed on how the business leaders should respond to the climate change challenge.

Further information on how the Legal & General Plc Group Board have engaged with stakeholders can be found in the Group s.172(1) Statement, which can be found here <https://www.legalandgeneralgroup.com/investors/results-reports-and-presentations/>.

By order of the Board

DocuSigned by:

Rosie Sears

4B83565FFB23454...

R Sears

For and on behalf of Legal & General Co Sec Limited

Company Secretary

1 July 2020

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 2019.

Principal activities

Legal & General Pensions Limited is a property investment company. The principal activities are detailed on page 3 within the Strategic Report.

Future developments

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

The outbreak of the novel Coronavirus (COVID-19), declared by the World Health Organisation as a 'Global Pandemic' on 11 March 2020, has impacted global financial markets and, as such, market activity is being impacted in many sectors. For this Company, which operates principally in the office property sector, volatility is expected during the 2020 financial year. The directors are monitoring the situation closely.

Result for the year and dividend

The results of the Company are set out on page 11. No dividends were paid in the year (2018: £nil).

Post balance sheet events

There are no significant post balance sheet events to report with the exception of COVID-19 detailed further in note 22.

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 (resigned 18 September 2019)

M Barrie

J Malpas

W De Jager (appointed 18 September 2019)

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 ultimate parent company. This is disclosed further in note 2(a).

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

DocuSigned by:

Rosie Sears
4B83565FFB23454...

For and on behalf of Legal & General Co Sec Limited
Company Secretary
1 July 2020

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 2019 which comprise the income statement, balance sheet, statement of changes in equity and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 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.

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 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;
- 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 8, 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.

Mark Noon

Mark Noonan (Senior Statutory Auditor)

For and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

15 Canada Square

London E14 5GL

1 July 2020

LEGAL & GENERAL PENSIONS LIMITED
INCOME STATEMENT

For the year ended 31 December 2019

		31 December 2019	31 December 2018
	Notes	£000	£000
Revenue	2	99,958	91,465
Gross profit		99,958	91,465
Administrative expenses		(1,096)	(1,143)
Other operating income		9,699	1,498
Operating profit	3	108,561	91,820
Realised gain on disposal of investment properties	10	-	1,973
Unrealised gain on revaluation of investment properties	10	18,030	75,421
Unrealised loss on revaluation of financial investments	11	(5,786)	(4,416)
Unrealised loss on revaluation of loan notes	18	(31,853)	(75,747)
Unrealised loss on headlease asset		(1)	-
Realised loss on disposal of loan notes	18	(6,439)	(928)
Investment income	4	14,520	2,497
Interest payable and similar expenses	5	(97,032)	(90,019)
Profit before taxation		-	601
Tax on result	8	-	(601)
(Loss) / Profit for the financial year		-	-

There were no other comprehensive income in the year (2018: £nil), so no statement of other comprehensive income is presented.

All income relates to continuing operations.

The notes on pages 14 to 25 form an integral part of these financial statements.

LEGAL & GENERAL PENSIONS LIMITED

BALANCE SHEET

As at 31 December 2019

	Note	2019 £000	2018 £000
Assets			
Non-current assets			
Investment properties	10	3,155,573	2,254,709
Financial investments	11	328,807	327,130
Accounts receivable	12	52,204	28,610
Total non current assets		3,536,584	2,610,449
Current assets			
Accounts receivable	12	595,027	342,257
Cash and cash equivalents		159,042	206,335
Total current assets		754,069	548,592
Total assets		4,290,653	3,159,041
Liabilities			
Non-current liabilities			
Deferred tax liability	17	1,032	1,032
Payables and other financial liabilities	18	3,997,186	3,018,886
Lease liability		3,360	-
Total non-current liabilities		4,001,578	3,019,918
Current liabilities			
Payables and other financial liabilities	18	105,038	94,750
Accounts payable	13	184,037	44,373
Total current liabilities		289,075	139,123
Total liabilities		4,290,653	3,159,041
Net assets		-	-
Capital and reserves			
Called up share capital	15	-	-
Retained earnings		-	-
Total shareholders' funds		-	-

The notes on pages 14 to 25 form an integral part of these financial statements.

The financial statements on pages 11 to 25 were approved by the board of directors on 1 July 2020 and signed on its behalf by

DocuSigned by:

Michael Barrie

BB82856AEA624C3...
M Barrie

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 2019**

	Called up share capital £000	Retained earnings £000	Total shareholders' funds £000
At 1 January 2018	-	-	-
Comprehensive income:			
Total comprehensive income for the year	-	-	-
At 31 December 2018	-	-	-
Comprehensive income:			
Total comprehensive income for the year	-	-	-
At 31 December 2019	-	-	-

The notes on pages 14 to 25 form an integral part of these financial statements.

LEGAL & GENERAL PENSIONS LIMITED**NOTES TO FINANCIAL STATEMENTS****For the year ended 31 December 2019**

1 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.

2 Summary of significant accounting policies

The main accounting policies of the Company are as follows:

(a) Going concern

The financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The directors have prepared cash flow forecasts for a period of at least 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, including the potential impact of COVID-19, the company will have sufficient funds and in downside cases through funding from its ultimate parent to meet its liabilities as they fall due for that period.

Those forecasts are dependent on Legal & General Group plc providing additional financial support during that period. Legal & General Group plc has indicated its intention to continue to make available such funds as are needed by the company for the period covered by the forecasts. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

(b) Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings, 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 2019.

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;

LEGAL & GENERAL PENSIONS LIMITED**NOTES TO FINANCIAL STATEMENTS****For the year ended 31 December 2019****1 Summary of significant accounting policies (continued)****(b) Basis of preparation (continued)**

- the requirements of paragraph 17 of IAS 24 Related Party Disclosures;
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member ; and
- the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

The company accounts for revenue using the guidance laid out in IFRS15 and accounts for the headlease asset using IFRS16 as disclosed in note 1(p).

(c) Significant estimates and management judgements

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for income and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following estimates have had the most significant effect on amounts recognised in the financial statements.

Investment property is stated at fair value, being market value determined by professionally qualified external valuers. Changes in fair value are included in the Income Statement. Investment properties are valued by adopting the 'investment method' of valuation. This approach involves applying capitalisation yields to current and future rental streams net of income voids arising from vacancies or rent-free periods and associated running costs. These capitalisation yields and future rental values are based on comparable property and leasing transactions in the market using the valuers' professional judgement and market observation. Other factors taken into account in the valuations include the tenure of the property, tenancy details and ground and structural conditions.

(d) 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.

(e) 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 2019**

1 Summary of significant accounting policies (continued)**(f) 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.

(g) 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.

Loan notes are stated at fair value. 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.

(h) 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 2019**

1 Summary of significant accounting policies (continued)**(i) Dividend recognition**

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

(j) Cash and cash equivalents

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

(k) 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.

(l) 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.

(m) Expenses

Expenses are recognised on an accrual basis.

(n) 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.

(o) Leases - Company as the lessor

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

(p) Leases - Company as the lessee

As a lessee, the company recognises leases on the balance sheet as 'right-of-use' assets and lease liabilities. The right-of-use assets are classified as investment property.

The right-of-use assets' value is initially recognised as the calculated value of the lease liabilities with several additional adjustments, including initial direct costs. The right-of use assets are subsequently accounted for in accordance with the cost model in IAS 16 – Property, Plant and Equipment. The company also assesses the right-of-use asset for impairment when such indicators exist.

LEGAL & GENERAL PENSIONS LIMITED**NOTES TO FINANCIAL STATEMENTS****For the year ended 31 December 2019****1 Summary of significant accounting policies (continued)****(p) Leases - Company as the lessee (continued)**

Using the guidance laid out by IFRS 16, the initial measurement of the lease liabilities is made up of the present value of lease payments to be made over the lease term, including fixed and variable lease payments and excluding lease incentive receivables. The company policy is to use the incremental borrowing rates as a discount rate for calculating the lease liabilities. The lease liabilities are unwound over the term of the lease giving rise to an interest expense. Additionally, the liabilities are reduced when lease payments are made. The company need to re-assess the valuation of lease liabilities and right-of-use assets if certain events occur that modify the original assumptions used to calculate the lease balances upon initial recognition. Refer to note 14 for details over the impact of IFRS 16 in the year.

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.

	2019	2018
	£000	£000
Rental and service charge income	99,958	91,465
	<u>99,958</u>	<u>91,465</u>

3 Operating profit

Operating profit is stated after charging:

	2019	2018
	£000	£000
Auditor's remuneration		
- in relation to the audit of the financial statements of the Company	30	28
	<u>30</u>	<u>28</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

	2019	2018
	£000	£000
Distribution income	12,417	1,868
Bank interest	2,103	629
	<u>14,520</u>	<u>2,497</u>

5 Interest payable and similar charges

	2019	2018
	£000	£000
Interest on loan notes	97,032	90,019
	<u>97,032</u>	<u>90,019</u>

6 Staff costs

The Company has no employees (2018: nil) and hence makes no contributions towards retirement benefits.

LEGAL & GENERAL PENSIONS LIMITED**NOTES TO FINANCIAL STATEMENTS****For the year ended 31 December 2019****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 (2018: £nil).

8 Tax on result

	2019	2018
	£000	£000
<u>Current tax</u>		
UK corporation tax at 19% (2018: 19%)		
- Adjustments in respect of prior years	-	601
Total current tax charge	-	601
Tax charge on result	-	601

Factors affecting current tax charge for the year:

The total current tax for the year is the same as (2018: the same as) the standard rate of UK corporation tax:

	2019	2018
	£000	£000
Profit before taxation	-	601
Tax calculated at the standard UK corporation tax rate of 19% (2018: 19%)	-	114
Effects of:		
Adjustments in respect of prior years	-	601
Income not subject to tax such as dividends	-	(114)
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% (2018: 19%), 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.

In the March budget the government announced that the UK corporation tax rate would remain at 19% from 1 April 2020 rather than reducing to 17% as implemented in Finance Act 2016. This change was substantively enacted in March 2020.

LEGAL & GENERAL PENSIONS LIMITED**NOTES TO FINANCIAL STATEMENTS****For the year ended 31 December 2019****9 Dividends**

There were no dividends paid or proposed in the current year (2018: £nil).

10 Investment properties

	2019	2018
	£000	£000
Cost		
At 1 January	1,976,308	1,675,263
Right-of-use headlease asset	3,361	-
Acquisitions	584,170	310,422
Subsequent expenditure	295,303	43,486
Disposals	-	(52,863)
At 31 December	<u>2,859,142</u>	<u>1,976,308</u>
Fair value gains		
At 1 January	278,401	201,007
Unrealised gain	18,030	75,421
Realised gain on disposals	-	1,973
At 31 December	<u>296,431</u>	<u>278,401</u>
Fair value		
At 31 December	<u>3,155,573</u>	<u>2,254,709</u>
Market value as estimated by external valuers	3,205,760	2,284,570
Right-of-use headlease asset	3,361	-
Less: lease incentive balance included in receivables	(53,548)	(29,861)
Fair value for financial reporting purposes	<u>3,155,573</u>	<u>2,254,709</u>

The Company's investment properties were valued as at 31 December 2019 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.

Valuation techniques**Market Approach**

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

Significant unobservable inputs

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

LEGAL & GENERAL PENSIONS LIMITED**NOTES TO FINANCIAL STATEMENTS****For the year ended 31 December 2019****10 Investment properties (continued)****Sensitivity analysis**

Increases/decreases in rental value and rent growth in isolation would result in a higher/lower fair value measurement, respectively. Increases/decreases in long term vacancy rate and discount rate in isolation would result in a lower/higher fair value measurement, respectively. The table below presents the sensitivity analysis of the valuation to changes in the most significant assumptions underlying the valuation of completed investment property.

	2019 £000	2018 £000
Increase in yield of 25 bps	(191,034)	(129,299)
Decrease in rental rates of 500 bps	(78,458)	(47,526)

11 Financial investments**Unquoted investments in property vehicles**

	2019 £000	2018 £000
Cost		
At 1 January	338,268	329,076
Additions	7,463	17,668
Disposals	-	(8,476)
At 31 December	345,731	338,268
Fair Value Gains		
At 1 January	(11,138)	(6,722)
Loss for the year	(5,786)	(4,416)
At 31 December	(16,924)	(11,138)
Fair Value		
At 31 December	328,807	327,130

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 SPV Limited	Jersey	100
Stratford City Offices Jersey Unit Trust (No.2)	Jersey	99
Gracechurch Property Limited	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. All of the above entities with the exception of Sapphire Campus Management Company Limited are subsidiaries.

LEGAL & GENERAL PENSIONS LIMITED**NOTES TO FINANCIAL STATEMENTS****For the year ended 31 December 2019****12 Accounts receivable**

	2019	2018
	£000	£000
Lease incentive receivable	53,548	29,861
Accrued income	5,266	427
Amounts due from fellow group undertakings	156,937	311,483
VAT receivable	16,050	2,263
Prepayments and accrued income	35,365	25,998
Other receivables	380,065	835
	647,231	370,867
Due within 12 months	595,027	342,257
Due after 12 months	52,204	28,610
	647,231	370,867

13 Accounts payable

	2019	2018
	£000	£000
Amounts due to fellow group undertakings	140,243	15,326
Trade creditors	1,655	2,002
Other creditors	15,143	9,711
Accruals and deferred income	26,996	17,334
	184,037	44,373

14 Lease liability

	2019	2018
	£000	£000
Lease liability payable after 12 months	3,360	-
	3,360	-

Under IFRS 16, a lease liability has been recognised on the balance sheet. The lease commenced on 1 September 2016 and has a lease term of 150 years and 2 months with an annual rent of £170,000. The implicit rate of return associated with the lease is 5.03%. The corresponding right-of-use asset has been recognised within Investment Property under IAS 40 as disclosed in Note 10.

15 Called up share capital

	2019	2018
	£000	£000
Issued: 1 Ordinary share of £1 fully paid	-	-

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.

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.

LEGAL & GENERAL PENSIONS LIMITED**NOTES TO FINANCIAL STATEMENTS****For the year ended 31 December 2019****17 Deferred tax liability**

	2019	2018
	£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>
-----------------------------	--------------	--------------

18 Payables and other financial liabilities**Loan Notes**

	2019	2018
	£000	£000
Cost		
At 1 January	2,924,295	2,127,077
Issue	1,292,757	849,953
Redemption	(342,461)	(52,735)
At 31 December	<u>3,874,591</u>	<u>2,924,295</u>

Fair value

Opening balance	189,341	112,666
Loss for the year	31,853	75,747
Redemption	6,439	928
At 31 December	<u>227,633</u>	<u>189,341</u>
At 31 December	<u>4,102,224</u>	<u>3,113,636</u>
Due within 12 months	105,038	94,750
Due after 12 months	<u>3,997,186</u>	<u>3,018,886</u>
	<u>4,102,224</u>	<u>3,113,636</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.

LEGAL & GENERAL PENSIONS LIMITED**NOTES TO FINANCIAL STATEMENTS****For the year ended 31 December 2019**

18 Payables and other financial liabilities (continued)

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.

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 2019****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:

	2019	2018
	£000	£000
Capital commitments	<u>437,964</u>	<u>491,783</u>

(b) Operating leases

The future aggregate minimum sublease payments to be received under operating subleases and future aggregate minimum lease receivables under non-cancellable operating leases are as follows:

2019	Minimum sublease payments under operating subleases £000	Lease receivables under non- cancellable operating leases £000
0-1 year	2,995	106,368
1-2 years	3,041	111,733
2-3 years	3,041	111,733
3-4 years	3,041	112,126
4-5 years	3,041	113,140
5 years +	56,914	2,353,059
Total	<u>72,073</u>	<u>2,908,159</u>

2018

- Not later than 1 year	2,908	96,076
- Later than 1 year and not later than 5 years	11,873	398,083
- Later than 5 years	58,533	2,196,610
	<u>73,314</u>	<u>2,690,769</u>

22 Post balance sheet events

There have been no material events after the Statement of Financial Position date requiring disclosure in, or adjustment to, the financial statements with the exception of the outbreak of the novel Coronavirus (COVID-19), declared by the World Health Organisation as a 'Global Pandemic' on 11 March 2020, which has impacted global financial markets and, as such, market activity is being impacted in many sectors. For this Company, which operates across the office, commercial, industrial and retail sectors, volatility is expected during the 2020 financial year. The directors are monitoring the situation closely, however, an estimate of the effects of these subsequent events cannot be made at present.