

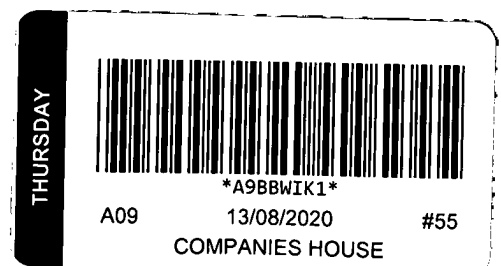


LGIM Real Assets (Operator) Limited

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

Company Number: 5522016

31 December 2019



LGIM Real Assets (Operator) Limited

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Registered Office:
One Coleman Street
London
United Kingdom
EC2R 5AA
Registered in England & Wales No. 5522016

LGIM Real Assets (Operator) Limited
STRATEGIC REPORT
For the year ended 31 December 2019

The directors present their Strategic Report on LGIM Real Assets (Operator) Limited ("the Company") for the year ended 31 December 2019. With effect from 16 June 2006, the Company became an authorised person under Part IV of the Financial Services and Market Act 2000. On 3 April 2014 the Company became an Authorised Investment Fund Manager ("AIFM"). The Company is regulated by the Financial Conduct Authority (FCA).

Business review and future developments

The Company acts as operator for 15 limited partnerships, four of which are classified as Alternative Investment Funds ("AIFs"), to which the company acts as AIFM. From 1 October 2017, acting under a sub delegation from Legal & General Investment Management Limited, the Company derives revenues in relation to infrastructure debt and private corporate debt investments managed on behalf of clients. In October 2018 the Company become a BIPRU firm with permissions to act as agent directly on behalf of clients. BIPRU is defined in article 4(1)(2)(c) of the EU CRR as a firm that is authorised to provide investment services such as portfolio management, investment advice and execution of orders on behalf of clients. With effect from 31 December 2019, the Company ceased activities and obligations relating to the management of Private Credit Assets.

Section 172 (1) statement of stakeholder engagement

The Board 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 the Company 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.

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 in the Group's Annual Report & Accounts, which can be found on the Group website, www.legalandgeneralgroup.com.

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 on the Group website, www.legalandgeneralgroup.com.

LGIM Real Assets (Operator) Limited
STRATEGIC REPORT
For the year ended 31 December 2019

General (continued)

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 2020 budget and noting of the 2021-24 financial plan by the board of directors of LGIM Real Assets Limited on 12 December 2019 as being representative of the broad direction of travel for the Real Assets business.

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.

LGIM Real Assets (Operator) Limited
STRATEGIC REPORT
For the year ended 31 December 2019

| Stakeholders Their importance to us | The Board's approach to stakeholder engagement | Stakeholder consideration in the Board's decision making |
|--|--|---|
| <p>Shareholders</p> <p>Our shareholders are vital to the future success of our business, providing funds which aid business growth and the generation of sustainable returns.</p> | <p>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.</p> | <p>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.</p> |
| <p>Customers</p> <p>Listening to our customers helps us to better understand their needs and provide suitable and reliable products and services.</p> | <p>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.</p> | <p>The business continues to implement a series of core deliverables designed to reduce reliance on manual workarounds and excel spreadsheets given deficiencies in existing LGIM IT systems. The project aims are to create more robust operating platforms to minimise errors, report to clients in an optimal fashion and facilitate strong ongoing growth in investment activity across Real Assets.</p> <p>In 2019 the Company took steps to grow its external private credit capability. Real Assets Solutions worked with the investment & distribution teams across LGIM in H1 2019 to review client needs and determine the best set of products and external fund raising initiatives going forward. This included the design and preparation for launch of the Secure Income Fund.</p> |

LGIM Real Assets (Operator) Limited
STRATEGIC REPORT
For the year ended 31 December 2019

| Stakeholders Their importance to us | The Board's approach to stakeholder engagement | Stakeholder consideration in the Board's decision making |
|---|--|--|
| <p>Workforce</p> <p>Engaging with our people enables us to create an inclusive company culture and a positive working environment.</p> | <p>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.</p> | <p>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.</p> |
| <p>Suppliers</p> <p>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.</p> | <p>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.</p> | <p>As part of the Future Platform Initiative, existing supplier relationships have been considered to assess how such relationships can be enhanced to support the programme.</p> |

LGIM Real Assets (Operator) Limited
STRATEGIC REPORT
For the year ended 31 December 2019

| Stakeholders Their importance to us | The Board's approach to stakeholder engagement | Stakeholder consideration in the Board's decision making |
|---|--|---|
| <p>Regulators</p> <p>Active engagement with the government and regulators helps to ensure that standards across our business and across the industry are maintained in order to protect our customers.</p> | <p>As would be expected of a large, diversified group, Legal & General is proactively supervised by the primary regulators in the UK. Our engagement consists of regular scheduled meetings with senior managers, routine deep dive activity, and occasional inclusion in thematic reviews. Legal & General places high importance on having an open and transparent relationship with all regulators, and promotes a collaborative approach through ongoing regulatory interactions. As a Group, we recognise the value of strong regulation in the markets in which we operate where it ensures trust and confidence and can be a positive force on business. We seek to actively participate with government and regulatory bodies to develop responses to developing issues that meet the needs of all stakeholders.</p> | <p>The Company welcomed the engagement with the Regulator on the implications of a hard Brexit scenario on fund suspensions and redemptions owing to the inability to price units. The Company also maintained dialogue with the Regulator on the impact of regulation on infrastructure assets which were dependent on regulation and the political environment.</p> <p>Compliance provided guidance to the Private Credit project team responsible for the review and improvement of the platform's current control environment regarding extensive data items that need to be recorded or reported to regulators, clients and exchanges under MiFID, EMIR and FCA rules.</p> <p>Throughout the year, the Company engaged with the FCA on the implementation of the Senior Managers Certification Regime.</p> |

**LGIM Real Assets (Operator) Limited
STRATEGIC REPORT
For the year ended 31 December 2019**

| Stakeholders Their importance to us | The Board's approach to stakeholder engagement | Stakeholder consideration in the Board's decision making |
|--|---|--|
| <p>Community/wider society Contributing positively to wider society enables us to create stronger communities and have a positive environmental impact.</p> | <p>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</p> | <p>We advise our subsidiary and group companies and pension and policyholder clients to make long term investments in real assets. This allows us to create value for shareholders, provide stability for pension customers and benefit communities right across the UK.</p> <p>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.</p> <p>Compliance provided guidance to the Private Credit project team responsible for the review and improvement of the platform's current control environment regarding extensive data items that need to be recorded or reported to regulators, clients and exchanges under MiFID, EMIR and FCA rules.</p> <p>Throughout the year, the Company engaged with the FCA on the implementation of the Senior Managers Certification Regime.</p> |

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 on the Group website, www.legalandgeneralgroup.com.

LGIM Real Assets (Operator) Limited
STRATEGIC REPORT
For the year ended 31 December 2019

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) Coronavirus

At the date of this report, the Company is taking the coronavirus threat to its clients, vendors, staff and overall business very seriously. Whilst there are many unknowns at the time of writing, it is clear that the extent and nature of the impacts to the Company and wider will be determined by both the number of people infected, national and individual responses as well as our own preparedness for the now likely impacts to business continuity.

LGIM Real Assets (Operator) Limited is taking proactive action in line with the wider LGIM Group and L&G Group. It is activating business continuity plans to minimise the risk of disruption to business operations, taking account of Government advice and the need to safeguard the health of our work force.

The coronavirus threat increases market risk. A reduction in the value of AUM that the Company manages on behalf of clients will reduce the level of revenue earned and ultimately impact the profitability. However, a number of mitigating factors are in place including:

- Strong cash position within the entity, enabling Real Assets Operator to weather the COVID-19 storm.
- The support of LGIM Group, which has strong profit margins allowing it to absorb revenue reductions while remaining profitable.
- Rate cards with many suppliers being driven by AUM, allowing any reduction in revenue to be partially offset by reduced costs.
- The ability to flex discretionary spend including bonus payments, marketing costs and project spend to offset revenue reductions.

The potential financial impact of the coronavirus threat is being closely monitored across the LGIM Group.

2) Financial Markets and Economic Conditions

The Company's principal business channels include operating english limited partnerships that invest in property and managing client investments in infrastructure debt and private corporate debt. The performance of the UK property sector and tax legislation can influence investor demand for property limited partnerships to be their vehicle of choice to hold property investments. This in turn may impact the earnings, profitability and the capital requirements of the Company. Broader economic conditions can influence the demand for investment in regulated securities.

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

Events in the financial services sector outside the control of the Company and the Legal & General Group Plc ("Group") may impact earnings and profitability, due to their potential impact on operating contracts administered by the Company. 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

LGIM Real Assets (Operator) Limited
STRATEGIC REPORT (CONTINUED)
For the year ended 31 December 2019

Principal risks and uncertainties (continued)

3) Confidence in the Financial Services Sector and specifically the Company (continued)

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.

4) 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. Government fiscal policy may also influence the design of products and impact current and 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.

5) 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.

LGIM Real Assets (Operator) Limited
STRATEGIC REPORT (CONTINUED)
For the year ended 31 December 2019

Principal risks and uncertainties (continued)

6) 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.

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.

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.


LGIM Real Assets (Operator) Limited
STRATEGIC REPORT (CONTINUED)
For the year ended 31 December 2019

Financial key performance indicators

The directors review a range of performance indicators to monitor the performance of the Company. Turnover, Operating Profit and Profit for the financial year are regarded as the key performance indicators.

- Turnover for the year of £16.3m (2018: £15.3m)
- Operating profit for the year of £5.8m (2018: £11.5m)
- Profit for the financial year of £4.7m (2018 £9.3m)

By Order of the Board

DocuSigned by:

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Rosie Sears
For and on behalf of Legal & General Co Sec Limited
Company Secretary
5 May 2020

LGIM Real Assets (Operator) Limited
DIRECTORS' REPORT
For the year ended 31 December 2019

The directors present their annual report together with the audited financial statements of LGIM Real Assets (Operator) Limited for the year ended 31 December 2019.

Principal activities and future developments

The principal activities of LGIM Real Assets (Operator) Limited ("the Company") are to undertake FCA regulated activities on behalf of its holding company, relating to the operation of property limited partnerships and managing business activities, under a sub delegation from Legal & General Investment Management Limited, related to infrastructure and private corporate debt investments. With effect from 31 December 2019, the Company ceased activities and obligations relating to the management of Private Credit Assets. Please refer to the principle risks and uncertainties set out on pages 7 - 9 for additional information.

Events after the reporting date

Other than the circumstances surrounding the Coronavirus outbreak, as discussed in the Strategic Report on page 7, 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 17. The directors do not recommend the payment of a dividend in 2019 (2018: £nil).

Going concern

The directors have performed cash flow forecasts for a period of at least 12 months from the date of approval of these financial statements which take account of reasonably possible downsides in relation to AUM flows, market movements and costs. Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore continues to adopt the going concern basis in preparing its financial statements.

Section 172 (1) statement of stakeholder engagement

There is a new requirement for the accounting periods beginning on or after 1 January 2019 for UK companies that are ineligible medium-sized to report on Section 172 (1) of the Companies Act 2006 and stakeholder engagement that summarises how the directors have had regard to the need to foster the company's business relationships with suppliers, customers and other stakeholders. This is set out on pages 1-6 in the Strategic Report.

Financial instruments

Legal & General companies use financial instruments to manage certain financial risks. 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.

The Company's exposure to price risk, credit risk, liquidity risk and cash flow risk is not material for an assessment of the Company's assets, liabilities, financial position, and profit or loss. No further information has therefore been provided.

Remuneration policy

The Remuneration Committee, a committee of the Legal and General Group Board, has established a remuneration policy and its purpose is to ensure that the remuneration of employees is consistent with and promotes sound and effective risk management and does not encourage risk-taking which is inconsistent with the risk profiles, rules or instruments of incorporation of each AIFM and the AIFs they manage.

LGIM Real Assets (Operator) Limited
DIRECTORS' REPORT (CONTINUED)
For the year ended 31 December 2019

Directorate

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

A Banks (resigned 18/09/2019)
M Barrie, MRICS
S Boylan (resigned 18/01/2019)
W Hughes
R Martin
N Bamber

Since 31 December 2019, the following changes have taken place in respect of the directorate; S Fuschillo was appointed as director on 05/02/2020 and R Lee was appointed as a director on 03/03/2020.

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.

Independent auditor

In accordance with section 489 of the Companies Act 2006, a resolution for the re-appointment of KPMG LLP as auditor of the Company was proposed at the 2019 Legal & General Group Plc Annual General meeting, with the services of KPMG being retained for the audit of the 2019 financial statements.

Statement of Directors' responsibilities in respect of the Strategic Report, the Directors' Report and the financial statements

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 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.

LGIM Real Assets (Operator) Limited
DIRECTORS' REPORT (CONTINUED)
For the year ended 31 December 2019

Statement of Directors' responsibilities in respect of the Strategic Report, the Directors' Report and the financial statements (continued)

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.

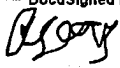
Statement of disclosure of information to the independent auditor

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 has taken all the steps that he ought to have taken as a director in order to make them aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

By Order of the Board

DocuSigned by:

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Rosie Sears
For and on behalf of Legal & General Co Sec Limited
Company Secretary
5 May 2020

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LGIM Real Assets (Operator) Limited

Opinion

We have audited the financial statements of LGIM Real Assets Operator Limited (“the company”) for the year ended 31 December 2019 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, and related notes, including the accounting policies in note 1.

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

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.

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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LGIM REAL ASSETS (OPERATOR) LIMITED (CONTINUED)

Strategic report and directors' report (Continued)

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 12-13, 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.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LGIM REAL ASSETS (OPERATOR)
LIMITED (CONTINUED)**

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 Noonan

Mark Noonan (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London E14 5GL
5 May 2020

LGIM Real Assets (Operator) Limited
STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

| | Note | 2019 £ | 2018 £ |
|---|-------|-------------------|-------------------|
| Revenue | 1 (e) | 16,348,966 | 15,263,169 |
| Gross Profit | | <u>16,348,966</u> | <u>15,263,169</u> |
| Administrative expenses | | (10,546,696) | (3,744,205) |
| Operating Profit | | 5,802,270 | 11,518,964 |
| Profit before taxation | 3 | <u>5,802,270</u> | <u>11,518,964</u> |
| Tax on profit | 5 | (1,111,931) | (2,188,603) |
| Profit and total comprehensive income for the financial year | | <u>4,690,339</u> | <u>9,330,361</u> |

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

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

The notes on pages 20 to 25 form an integral part of these financial statements.

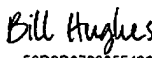
LGIM Real Assets (Operator) Limited
STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

| | Note | 2019 £ | 2018 £ |
|--------------------------------|------|----------------------------|---------------------------|
| Assets | | | |
| Current assets | | | |
| Trade and other receivables | 6 | 16,828,924 | 10,104,710 |
| Cash and cash equivalents | | 35,350,742 | 5,834,796 |
| Total current assets | | <u>52,179,666</u> | <u>15,939,506</u> |
| Total assets | | <u>52,179,666</u> | <u>15,939,506</u> |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | 7 | (34,179,807) | (1,553,314) |
| Current tax liabilities | 5 | (1,111,931) | (2,188,603) |
| Total current liabilities | | <u>(35,291,738)</u> | <u>(3,741,917)</u> |
| Non-current liabilities | | | |
| Trade and other payables | 7 | (40,000) | (40,000) |
| Total non-current liabilities | | <u>(40,000)</u> | <u>(40,000)</u> |
| Total liabilities | | <u>(35,331,738)</u> | <u>(3,781,917)</u> |
| Net assets | | <u>16,847,928</u> | <u>12,157,589</u> |
| Equity | | | |
| Called up share capital | 8 | 155,000 | 155,000 |
| Retained earnings | | 16,692,928 | 12,002,589 |
| Total equity | | <u>16,847,928</u> | <u>12,157,589</u> |

The notes on pages 20 to 25 form an integral part of these financial statements.

The financial statements on pages 17 to 25 were authorised for issue by the board of directors on 5 May 2020 and were signed on its behalf by

DocuSigned by:

 53D0D3783355422...

W Hughes, Director

Real Assets Operator Limited
 Registered in England & Wales No. 5522016

LGIM Real Assets (Operator) Limited
STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2019

| | Called up share capital | Retained earnings | Total equity |
|---|------------------------------------|------------------------------|---------------------|
| | £ | £ | £ |
| Balance as at 1 January 2019 | 155,000 | 12,002,589 | 12,157,589 |
| Profit for the financial year | - | 4,690,339 | 4,690,339 |
| Total comprehensive income for the year | - | 4,690,339 | 4,690,339 |
| Dividends | - | 0 | 0 |
| Balance as at 31 December 2019 | 155,000 | 16,692,928 | 16,847,928 |
| As at 1 January 2018 | 155,000 | 2,672,228 | 2,827,228 |
| Profit for the financial year | - | 9,330,361 | 9,330,361 |
| Total comprehensive income for the year | - | 9,330,361 | 9,330,361 |
| Dividends | - | 0 | 0 |
| Balance as at 31 December 2018 | 155,000 | 12,002,589 | 12,157,589 |

The notes on pages 20 to 25 form an integral part of these financial statements.

LGIM Real Assets (Operator) Limited
NOTES TO FINANCIAL STATEMENTS
For the year ended 31 December 2019

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 LGIM Real Assets (Operator) Limited have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS101) and in accordance with the 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.

LGIM Real Assets (Operator) Limited
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2019

1 Summary of significant accounting policies (continued)

The Company is a wholly owned subsidiary of LGIM Real Assets Limited. Its ultimate parent is 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.

(c) Going concern

After making enquires, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future.

In preparing these financial statements, the directors have considered the uncertainty created by COVID 19. Whilst there are many unknowns at the time of writing, it is clear that the extent and nature of the impacts to the Company and wider Group will be determined by the number of people infected, national and individual responses as well as our own preparedness for the impact on business continuity.

The Company, as part of the LGIM Group is taking proactive action in line with the wider L&G Group and is activating business continuity plans to minimise the risk of disruption to business operations, taking account of Government advice and the need to safeguard the health of our work force.

The directors have performed cash flow forecasts for a period of at least 12 months from the date of approval of these financial statements which take account of reasonably possible downsides in relation to AUM flows, market movements and costs.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore continues to adopt the going concern basis in preparing its financial statements.

(d) Cash and cash equivalents

Cash and cash equivalents includes cash in hand and deposits held at call with banks. Cash can be withdrawn within 24 hours without penalty.

(e) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for services provided. The Company recognises revenue when the amount of revenue can be reliably measured and when it is probable that future economic benefits will flow to the entity.

Operator and Investment Management fees are recognised on an accruals basis.

LGIM Real Assets (Operator) Limited
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2019

(f) Expense recognition

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

(g) Current income tax

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

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

(h) 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.

(i) 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. There are no accounting estimates or judgements within the financial statements.

3 Profit before taxation

Profit before taxation is stated after charging:

| | 2019 | 2018 |
|---|---------------|---------------|
| | £ | £ |
| Audit fees payable to the Company's auditor | <u>10,000</u> | <u>10,000</u> |

LGIM Real Assets (Operator) Limited
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2019

4 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.

| | 2019 | 2018 |
|------------------------------|------------------|------------------|
| | £ | £ |
| Short-term employee benefits | 796,610 | 912,463 |
| Social security costs | 118,135 | 148,272 |
| Post-employment benefits | 19,981 | 16,112 |
| Other long-term benefits | 57,307 | 9,471 |
| Share-based incentive awards | 305,998 | 161,799 |
| | <u>1,298,031</u> | <u>1,248,117</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 no directors (2018: nil) under the defined benefit pension scheme.

No director exercised share options in 2019 (2018: nil).

The aggregate defined benefit amount has been calculated using the change in transfer value. This reflects the

Highest paid director:

The highest paid director's emoluments were as follows:

| | 2019 | 2018 |
|------------------------------|----------------|----------------|
| | £ | £ |
| Highest paid director: | | |
| Emoluments | 415,656 | 381,694 |
| Other long-term benefits | 28,323 | 9,471 |
| Post-employment benefits | 0 | 0 |
| Share-based incentive awards | 173,946 | 66,844 |
| | <u>617,925</u> | <u>458,009</u> |

5 Tax on profit

| | 2019 | 2018 |
|---|------------------|------------------|
| | £ | £ |
| Current tax | | |
| UK corporation tax at 19% (2018: 19%) | | |
| - Current tax on profits for the year | 1,102,431 | 2,188,603 |
| - Adjustments in respect of prior years | 9,500 | - |
| Total current tax charge | <u>1,111,931</u> | <u>2,188,603</u> |
| Tax charge on profit | <u>1,111,931</u> | <u>2,188,603</u> |

Factors affecting current tax charge for the year:

The tax assessed for the year is higher than (2018: same as) the standard rate of corporation tax in the UK for a company 19% (2018: 19%). This is explained below:

| | 2019 | 2018 |
|---|------------------|-------------------|
| | £ | £ |
| Profit before taxation | <u>5,802,270</u> | <u>11,518,964</u> |
| - Tax calculated at the standard UK corporation tax rate of 19% (2018: 19%) | 1,102,431 | 2,188,603 |
| - Adjustments in respect of prior years | 9,500 | - |
| Tax charge | <u>1,111,931</u> | <u>2,188,603</u> |

Factors which may affect future tax charges

Tax rates

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.

LGIM Real Assets (Operator) Limited
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2019

| | | |
|---|-------------------|-------------------|
| 6 Trade and other receivables | | |
| Current | 2019 | 2018 |
| | £ | £ |
| Amounts owed by fellow group undertakings | 16,828,924 | 10,104,710 |
| | <u>16,828,924</u> | <u>10,104,710</u> |

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

| | | |
|---|---------------------|----------------|
| 7 Trade and other payables | | |
| Current | 2019 | 2018 |
| | £ | £ |
| Amounts owed to fellow group undertakings | (34,179,807) | (1,553,314) |
| Corporation tax liability | 1,111,931 | 2,188,603 |
| | <u>(33,067,876)</u> | <u>635,289</u> |
| Due within 12 months | (33,067,876) | 635,289 |
| Due after 12 months | 40,000 | 40,000 |
| | <u>(33,027,876)</u> | <u>675,289</u> |

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

| | | |
|---|------------------|----------------|
| 8 Called up share capital | | |
| | 2019 | 2018 |
| | Number of | Share |
| | shares | capital |
| | | £ |
| Issued share capital, fully paid | | |
| As at 1 January 2019 | 155,000 | 155,000 |
| Issued shares during the year | - | - |
| As at 31 December 2019 | <u>155,000</u> | <u>155,000</u> |

9 Ultimate parent undertaking

The immediate parent company is LGIM Real Assets Limited, a company registered in England & Wales.

The ultimate parent company is Legal & General Group Plc, a company registered 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.

LGIM Real Assets (Operator) Limited
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2019

10 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.

11 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 4 for disclosure of the directors' remuneration.

12 Subsequent events

Subsequent to the balance sheet date, a global pandemic, coronavirus, threatens the Company's clients, vendors, staff and overall business. Whilst there are many unknowns at the time of writing, it is clear that the extent and nature of the impacts to the Company and wider will be determined by both the number of people infected, national and individual responses as well as our own preparedness for the now likely impacts to business continuity.

The LGIM Real Assets Operator is taking proactive action in line with the wider LGIM Group and L&G Group. It is activating business continuity plans to minimise the risk of disruption to business operations, taking account of Government advice and the need to safeguard the health of our work force.

The coronavirus threat increases market risk. A reduction in the value of AUM that the Company manages on behalf of clients will reduce the level of revenue earned and ultimately impact the profitability. However, a number of mitigating factors are in place including:

- Strong cash position within the entity, enabling Real Assets Operator to weather the COVID-
- The support of LGIM Group, which has strong profit margins allowing it to absorb revenue reductions while remaining profitable.
- Rate cards with many suppliers being driven by AUM, allowing any reduction in revenue to be partially offset by reduced costs.
- The ability to flex discretionary spend including bonus payments, marketing costs and project spend to offset revenue reductions.

The potential financial impact of the coronavirus threat is being closely monitored across the LGIM Group. The estimate of the financial impact can not be made for this company.