Company number 02338444

Legal & General Finance PLC
Report and Accounts
Year ended 31 December 2021

Contents

The directors present their Strategic Report on Legal & General Finance PLC ('the Company') for the year ended 31 December 2021.

Principal activities

Legal & General Finance PLC is a public limited company incorporated in England and Wales, whose ultimate controlling party is Legal & General Group Plc. The Company's registered office is at One Coleman Street, London, EC2R 5AA, United Kingdom. It is registered in England and Wales under company registration number 02338444 and domiciled in the United Kingdom. The principal activity of the Company throughout the year was to operate as a finance company.

The Company's prime objective is to provide funding to Legal & General Group Plc and its global subsidiaries ('the Group'), by raising finance from capital markets and investing in liquid assets. In fulfilling this role, the Company issues listed debt through Legal & General Group Plc's £5bn Euro Medium Term Note Programme and the Company's US $2bn Commercial Paper Programme. All of the Company's issued listed debt under these programmes is guaranteed by Legal & General Group Plc.

The Directors' Report and financial risk management note are on pages 6 and 22 respectively.

Business review and future developments

The Company continued to provide funding to other Legal & General group companies throughout the year. The directors do not envisage any changes in activity for the foreseeable future. During the year the Company issued and repaid operational borrowings under the commercial paper programme noted above.

Financial review and key performance indicators

The directors review a range of performance indicators to monitor the performance of the Company. Profit before income tax and net assets are regarded as the principal key performance indicators.

The profit before income tax of the Company increased to £20.8m (2020: £11.4m) mainly reflecting income from loans to other group companies. Net assets as at 31 December 2021 were £33.9m (2020: £17.3m).

Section 172(1) statement

The Company's Section 172(1) Statement & Stakeholder Engagement is on page 4.

Principal risks and uncertainties

The Company's business involves the acceptance and management of risk. A detailed review of the Company's exposure to risks, including market risk, credit risk and liquidity risk, together with the framework for the management and analysis of the exposure of the Company's financial instruments to risk, is set out in Note 17. The principal risks and uncertainties facing the Company are:

a) Market risk
The Company is exposed to fluctuations in exchange rates which may impact income from, or the value of, assets denominated in foreign currencies. Interest rate movements can affect profits as well as potentially impacting investment and fund-raising activities. The Company may use derivatives to limit exposure to market risks, as deemed necessary.

b) Market infrastructure risk
The Company's investment and fund raising activities are reliant upon the availability of market infrastructure. Disruption to trading in markets may have a significant effect on the Company's operation and profitability.

c) Credit risk
A number of major banks operate as counterparties for the investments of the Company. Whilst the Company ensures that it only transacts with strongly rated counterparties, and it regularly reviews its level of exposure, the financial failure of a significant counterparty could result in disruption and financial loss.

d) Liquidity risk
Liquidity risk is the risk that the Company, though solvent, either does not have sufficient liquid financial resources available to enable it to meet its obligations as they fall due, or can only secure such liquid financial resources at an excessive borrowing cost relative to that achieved in the recent past by a comparably rated borrower or through the sale of illiquid assets at a price significantly below the fair value of such assets in the recent past. This risk can arise from adverse market conditions or an unexpected event that causes liquidity stress in other entities within the group.

e) Climate risk
The Company is exposed to climate change through two broad categories: transition risks from the move to a low-carbon economy and the impact this has on asset valuation and the economy, and physical risks from the impact on asset holdings as a result of severe weather events and longer-term shifts in climate.

Our regulatory and legislative landscape also continues to evolve, including the UK's exit from the EU and the Future Regulatory Framework post Brexit. The Company's activity base is largely in the UK and US, therefore we do not expect this to have a significant impact on the Company.

The roll out of vaccines and the development of treatments for severe illness from COVID-19 promises a return to a more normal operating environment. As the challenges presented by COVID-19 recede, focus is moving to re-building from the economic impacts. Whilst global and UK economic activity is returning to pre COVID-19 levels, the outlook of a period of sustained inflation, and much higher interest rates to those seen for a number of years, will impact consumer sentiment.

We are also monitoring potential for changes in UK fiscal policy arising from the need to fund government borrowing in response to COVID-19.

2022 has seen a range of geopolitical risks come to the fore, with the potential for significant disruption to global economic activity. The Group is carefully monitoring the impacts from a range of geopolitical scenarios to ensure the Company remains financially and operationally resilient to adverse events.

By order of the board:

DocuSigned by:
Andrew Fairhurst
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A. D. Fairhurst
For and on behalf of Legal & General Co Sec Limited
Company Secretary
7 March 2022

The Board of Legal & General Finance PLC (the 'Company'), considers that is has 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 and Accounts.

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 here: legalandgeneralgroup.com/investors/results-reports-and-presentations.

General

The 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: 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.

In 2019 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 paper throughout the year where relevant. 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 ended 31 December 2021, the Board considers that the following is an example of a principal decision during the year:

- Approval of the annual update to the £5,000,000,000 Euro Medium Term Note Programme, under the Euro Medium Term Note Programme, (i) Legal & General Finance PLC can issue senior unsubordinated notes, (ii) Legal & General Group Plc can issue both senior unsubordinated notes and subordinated notes; and (iii) Legal & General Group Plc guarantees the senior notes issued by Legal & General Finance PLC.

- Approval of the transition away from the use of LIBOR (The London Inter-bank Offered Rate) and the move towards alternative benchmark risk free-rates including SONIA (Sterling Overnight Index Average) and SOFR (Secured Overnight Financing Rate).

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

Stakeholders **Their importance to us**	**The Board's approach to stakeholder engagement**	**Outcomes and Stakeholder consideration in the Board's decision making**
Shareholders and Bondholders Our shareholders and bondholders are vital to the future success of our business, 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. Bondholders have access to Legal & General's announcements, results and investor information through our website which has a dedicated investor section.	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. Value is generated for bondholders by ensuring that we have the necessary financial resources to meet our payment obligations as they become due.
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 Company's principal activity is to operate as a finance company providing funding to other Group Companies. As such, it has no direct external customers and therefore, the Board considers it appropriate that customer engagement and decision making is undertaken at Group level. However, in its role as a Group finance company the Board considers its approval of the updates to the Euro Medium Term Note Programme to be in the best interests of its internal customers, being other Group entities, by providing requisite funding for the achievement of business strategy.
Community / wider society Contributing positively to wider society enables us to create stronger communities and have a positive environmental impact.	The Group's 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: legalandgeneralgroup.com/csr.	The Group use its own capital and policyholders' assets to make long term investments in real assets. This allows the Group to create value for shareholders, provide stability for pension customers and benefit communities right across the UK. The Group continue to demonstrate its commitment to net zero through its membership of the Net Zero Asset Managers Initiative and Net Zero Asset Owner's Alliance. The Group continue to support the University of Edinburgh's Advanced Care Research Centre in its response to the challenges of ageing demographics, which remains a strategic priority.

While s.172(1) requires consideration of all stakeholders, including employees and suppliers, due to the nature of Legal & General Finance PLC's operations within the wider Legal & General Group, it does not have any direct employee, regulator or supplier engagement. Engagement with these stakeholders is undertaken at a Group level.

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

The directors present their Directors' Report together with the audited financial statements of Legal & General Finance PLC ('the Company') for the year ended 31 December 2021.

Results for the year and dividend

The results of the Company are set out on page 12. The directors do not recommend the payment of a final dividend (2020: £nil) and no interim dividends were declared or paid in the year (2020: £nil).

Directors

The directors of the Company, who were in office during the year and up to the date of signing the financial statements, together with their dates of appointment and resignation, where appropriate, are shown below:

J. J. Cummins (resigned 17 March 2021)
S. J. Davies
M. Moore (appointed 5 July 2021)
G. O'Neill
F. B. Turley

Directors' insurance

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

Directors' indemnities (S236 of the Companies Act 2006)

As permitted by the Articles of Association, the directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force.

Charitable donations

The company did not make any charitable donations during the year.

Political contributions

The company did not make any political contributions during the year.

Modern slavery

The Group and its global subsidiaries 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 legalandgeneralgroup.com/csr/modern-slavery-statement/.

Internal control and risk management framework

The Board of Directors has overall responsibility for the Company's systems of risk management and internal controls. The Company operates within the risk management framework and under the policies, procedures and internal controls maintained by its parent company.

The Group Audit Committee, in conjunction with the Group Risk Committee, assists in ensuring that the Group operates within a framework of prudent and effective controls which allows risk to be identified, assessed and managed. The Group's control policies and procedures are in accordance with the Financial Reporting Council's guidance on risk management, internal control and related financial and business reporting. The Group's system of internal control is designed to manage rather than eliminate risk and can only provide reasonable and not absolute assurance against material loss.

Accordingly, the Company adheres to the practices set out in the Financial Reporting Council's guidance on risk management, internal control and related financial and business reporting through a system of timely preparation of management and financial statements, internal review of the statements by suitably qualified finance professionals and periodic reviews by Group Internal Audit.

The Company's exposure to financial risks is contained in Note 17.

The day to day operations of the Company are managed by the Group's treasury function.

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law, 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 its profit or loss for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable and prudent;
- state whether they have been prepared in accordance with 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 its 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.

Under applicable law and regulations, the directors are also responsible for preparing a Strategic Report, Directors' Report, and Corporate Governance Statement that complies with that law and those regulations.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement of the directors in respect of the annual financial report

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and

- the strategic report / directors' report includes a fair review of the development and performance of the business and the position of the issuer, together with a description of the principal risks and uncertainties that they face.

Disclosure of information to auditors

Each of the directors, who held office at the date the Directors' report is approved, confirms that:

a) so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and

b) they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given in accordance with Section 481(2) of the Companies Act 2006..

Independent auditors

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the Board:

DocuSigned by:
Andrew Fairhurst
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A. D. Fairhurst
For and on behalf of Legal & General Co Sec Limited
Company Secretary
7 March 2022

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LEGAL & GENERAL FINANCE PLC

1 Our opinion is unmodified

We have audited the financial statements of Legal & General Finance Plc ("the Company") for the year ended 31 December 2021 which comprise the Income Statement, Balance Sheet and Statement of Changes in Equity and the related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of Company's affairs as at 31/12/2021 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 believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit committee.

We were first appointed as auditor by the directors on 17 May 2018. The period of total uninterrupted engagement is for the four financial years ended 31 December 2021. We have fulfilled our ethical responsibilities under, and we remain independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

2 Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

The risk	Our response
Loss allowance and Recoverability of intercompany balances due from group entities Intercompany debtors: £1.81billion; 2020: £1.62billion	
Low risk, high value: The carrying amount of the intercompany balances as set out in the note number 9 and 11 of the financial statements represents 54% (2020:46%) of the Company's total assets. The Company has given the loans to the group companies and accounted for these at amortised cost. The recoverability of these loans is inherently subjective due to reliance on the net assets of the group companies and the Company recognises any loss allowance on the intercompany receivables at the expected credit loss. The recoverability of these debtor balances is not at a high risk of significant misstatement or subject to significant judgement. However, due to their materiality in the context of the Company financial statements as a whole, this is considered to be the area to be of most significance to the audit and accordingly, recoverability of balances due from group companies has been considered as a key audit matter for the current year audit.	**Our response** We performed the tests below rather than seeking to rely on any of the Company's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described. Our procedures, included, but not limited to : 1. Comparing the carrying amount of intercompany balances to identify, with reference to the relevant group companies' trial balance, to identify whether their net assets are positive and therefore coverage of the debt owed, as well as assessing whether those debtor companies have historically been profit-making. 2. We have evaluated the reasonableness of management process for calculation of expected credit loss and tested the accuracy of calculation provided by the management. **Our results:** We have not found any exceptions to indicate that the intra-group debtor balance net of expected credit loss allowance is not recoverable.

3 Our application of materiality and an overview of the scope of our audit

Materiality for the Company's financial statements as a whole was set at £16.10 million (2020: £27 million), determined by reference to total assets.

In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole.

Performance materiality for the Company was set at 64.60% (2020: 61.5%) of materiality for the financial statements as a whole, which equates to £10.40 million (2020: £16.60 million).

We agreed to report to those charged with governance any corrected or uncorrected identified misstatements exceeding £724,500, in addition to other identified misstatements that warranted reporting on qualitative grounds.

The scope of the audit work performed was fully substantive as we did not rely upon the Company's internal control over financial reporting.

4 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 used our knowledge of the group and company, its industry, and the general economic environment in which it operates to identify the inherent risks to its business model and analysed how those risks might affect the group and company's financial resources or ability to continue operations over the going concern period. The risks that were considered most likely to adversely affect the company's available financial resources over this period were:

- The deterioration in the valuation of the Company's investments arising from a significant change in the economic environment
- The ability of the Company to recover amounts due from group entities

We considered whether this risk could plausibly affect the liquidity in the going concern period by comparing severe, but plausible downside scenarios that could arise from this risk against the level of available financial resources by the Company's financial forecasts.

We considered whether the going concern disclosure in note 1 to the financial statements gives a full and accurate description of the directors' assessment of going concern, including the identified risks and related sensitivities.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the going concern period; and
- we found the going concern disclosure in note 1 to be acceptable.

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 above conclusions are not a guarantee that the Company will continue in operation.

5 Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures were completed at a Group level as L&G Finance Plc operates within the same governance and risk structure as its ultimate parent company L&G Group Plc. The following procedures have been completed as part of the Group audit:

- enquiring of directors as to the Company's high-level policies and procedures to prevent and detect fraud, as well as whether they have knowledge of any actual, suspected or alleged fraud;
- reading Board minutes; and
- considering remuneration incentive schemes and performance targets for management.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because there is limited management judgement involved in the valuation and recognition of all material revenue streams.

We did not identify any additional fraud risks.

In determining the audit procedures we took into account the results of our evaluation and testing of the operating effectiveness of some of the Group-wide fraud risk management controls.

We also performed procedures including:

- identifying journal entries and other adjustments to test on risk criteria and comparing the identified entries to supporting documentation. These included, but were not limited to, journals impacting cash balances that were identified as unusual or unexpected in our risk assessment procedures.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience (as required by auditing standards), and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

As the Company is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

The Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Whilst the Company is subject to many other laws and regulations, we did not identify any others where the consequences of non-compliance alone could have a material effect on amounts or disclosures in the financial statements.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

6 We have nothing to report on the other information in the Annual Report

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information 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 other information.

Strategic report and Directors' report

Based solely on our work on the other information:

- 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.

7 We have nothing to report on the other 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 by the Company, 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.

8 Respective responsibilities

Directors' responsibilities
As explained more fully in their statement set out on page 7, the directors are responsible for: the preparation of the financial statements including 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.

9 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.

Rees Aronson

Rees Aronson (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
KPMG LLP
15 Canada Square,
London, E14 5GL

8th March 2022

Statement of Comprehensive Income

For the year ended 31 December 2021

	Notes	2021 £m	2020 £m
Finance income			
Income received from loans to group undertakings	1B/7	**70.3**	59.7
Investment return	1B/7	**0.9**	3.9
Total finance income		**71.2**	63.6
Finance costs			
Interest paid to group undertakings		**(10.9)**	(12.5)
Other finance costs	13	**(35.4)**	(36.5)
Total finance costs		**(46.3)**	(49.0)
Administrative expenses	3	**(4.1)**	(3.2)
Profit before income tax		**20.8**	11.4
Income tax expense	1E/8	**(4.2)**	(2.2)
Profit for the financial year and total comprehensive income		**16.6**	9.2

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

Balance Sheet

As at 31 December 2021

	Notes	2021 £m	2020 £m
Non-current assets			
Financial investments	1F/9	**601.2**	601.2
Receivables	11	**1,064.5**	300.0
Current assets			
Financial investments	1F/10	**1,519.4**	1,827.0
Receivables	11	**138.9**	713.9
Cash and cash equivalents	1H/12	**1.8**	102.2
Total assets		**3,325.8**	3,544.3
Non-current liabilities			
Borrowings	1G/13	**598.3**	598.2
Other payables and financial liabilities	14	**596.0**	300.0
Current liabilities			
Borrowings	1G/13	**60.8**	61.6
Other payables and financial liabilities	14	**2,036.8**	2,567.2
Total liabilities		**3,291.9**	3,527.0
Net assets		**33.9**	17.3
Equity			
Share capital		**-**	-
Retained earnings and capital contributions		**33.9**	17.3
Total shareholders' equity		**33.9**	17.3

The notes on pages 15 to 25 form an integral part of these financial statements.

The financial statements on pages 12 to 14 were approved by the Board of directors on 7 March 2022 and were signed on their behalf by:

DocuSigned by:

2D7268036031441...

G. O'Neill
Director

Statement of Changes in Equity

For the year ended 31 December 2021	Called up share capital £m	Retained earnings and capital contributions £m	Total equity £m
As at 1 January	**-**	**17.3**	**17.3**
Total comprehensive income for the year	**-**	**16.6**	**16.6**
As at 31 December 2021	**-**	**33.9**	**33.9**
For the year ended 31 December 2020			
As at 1 January	-	8.1	8.1
Total comprehensive income for the year	-	9.2	9.2
As at 31 December 2020	-	17.3	17.3

1. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

A Basis of preparation

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

The preparation of financial statements, in conformity with 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 areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are the determination of fair value for unquoted or illiquid financial instruments.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- The following paragraphs of IAS 1, 'Presentation of financial statements':
    - 10(d), (statement of cash flows),
    - 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),
    - 111 (cash flow statement information),
    - 134-136 (capital management disclosures).
- IAS 7, 'statement of cash flows'
- Financial Instrument disclosures as required by IFRS 7 Financial Instruments: Disclosures
- 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)
- The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group.

B Finance income

Finance income comprises interest receivable, which is recognised using the effective interest rate method and dividend income which is recognised when the right to receive payment is established. It also includes Investment return arising on fair value gains and losses on financial investments measured at fair value through profit or loss.

C Distributions

Interim dividends on ordinary shares are deducted from retained earnings in the period in which they are paid. Final dividends on ordinary shares are recognised as a liability in the period in which they have been approved by shareholders.

D Foreign currencies

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which it operates. The financial statements are presented in sterling which is also the Company's functional currency.

Transactions denominated in foreign currencies are translated into the functional currency at the rates of exchange prevailing at the time of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange prevailing at the balance sheet date. All exchange gains or losses are recognised in the Statement of Comprehensive Income.

E Taxation

Current tax comprises tax payable on current period profits, adjusted for non-tax deductible or non-taxable items and any adjustment to tax payable in respect of previous periods. Deferred taxation is provided in full on all timing differences. Deferred tax assets are recognised to the extent that it is more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Summary of significant accounting policies (continued)

F Investments

On initial recognition, financial assets are measured at fair value. Subsequently, they can be measured at amortised cost, fair value through other comprehensive income ('FVOCI') or fair value through profit or loss ('FVTPL'). The classification depends on two criteria:

(i) the business model within which financial assets are managed; and
(ii) their contractual cash flow characteristics (whether the cash flows represent 'solely payments of principal and interest' ('SPPI)').

An instrument is measured at amortised cost if it meets the following conditions:

(i) it is held within a business model that has an objective to hold financial assets to collect contractual cash flows; and
(ii) the contractual terms of the financial asset result in cash flows that are solely payments of principal and interest on the principal amount outstanding.

An instrument is measured at FVOCI if it meets the following conditions:

(i) it is held for collection of contractual cash flows and for selling the financial assets; and
(ii) the asset's cash flows represent solely payments of principal and interest.

Movements in the carrying amount of assets measured at FVOCI are recognised in other comprehensive income except for the recognition of impairment gains or losses and interest revenue which are recognised in the Statement of Comprehensive Income. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to the Statement of Comprehensive Income. Interest income from these financial assets is included in finance income using the effective interest rate method. Impairment expenses are presented as separate line item in the Statement of Comprehensive Income.

Assets that are held at FVTPL include derivative assets which are held for trading ('HFT') and financial assets that fail both the business model and SPPI tests, including equity instruments. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in the Statement of Comprehensive Income within finance income.

The Company has no equity instruments.

Impairment

For financial assets held at amortised cost or FVOCI the Company reviews the carrying value of its assets at each balance sheet date. For such assets, the Company determines forward looking expected credit losses, based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

The Company measures loss allowance at an amount equal to lifetime credit losses, except for debt securities that are determined to have low credit risk at the reporting date and other debt securities for which credit risk has not increased significantly since initial recognition. In these cases, expected credit losses are based on the 12-month expected credit loss, which is the expected credit loss that results from a possible default up to 12 months after the reporting date. The Company uses relevant quantitative and qualitative information and analysis based on historical experience, and informed credit assessment including forward-looking information in order to evaluate the credit-worthiness of each security at each reporting date, to determine whether a significant increase in credit risk since origination occurred. Should this be the case, the allowance will be based on the lifetime expected credit loss.

Expected credit losses are calculated by considering the probability of default, the loss given default and the exposure at default. The probability of default is determined by reference to available third party information, or using qualitative information available to the Company, and depends on whether a financial asset requires determination of a 12-month expected credit loss or lifetime credit loss. The loss given default is determined with reference to any exposure reducing instruments such as collateral or liquid assets that the counterparty may have. The exposure at default is determined as the amount of the loan balance outstanding at the reporting date.

G Borrowings

Borrowings are recognised initially at fair value, net of transaction costs, and subsequently measured at amortised cost. The difference between the proceeds and the redemption value is recognised in the Statement of Comprehensive Income over the borrowing period as part of the effective interest method.

H Cash and cash equivalents

Cash and cash equivalents represents deposits held at call with banks.

I Derivative assets and liabilities

The Company's activities expose it to the financial risks of changes in foreign exchange rates and interest rates. The Company uses derivatives such as foreign exchange forward contracts and interest rate swap contracts to hedge these exposures, as deemed necessary.

Summary of significant accounting policies (continued)

I Derivative assets and liabilities (continued)

Changes in the fair value of these derivative instruments, which do not qualify for hedge accounting, are recognised immediately in the Statement of Comprehensive Income.

Where the risks and characteristics of derivatives embedded in other contracts are not closely related to those of the host contract and the whole contract is not carried at fair value, the derivative is separated from that host contract and measured at fair value, with fair value movements reflected within investment return, unless the embedded derivative itself meets the definition of an insurance contract.

Cash inflows and outflows are presented on a net basis where the group is required to settle net or has a legally enforceable right of offset and the intention is to settle on a net basis.

J Going concern

The directors have made an assessment of the Company's going concern, considering both its current performance and its outlook, which takes account of the current and expected future impact of the COVID-19 pandemic, using the information available up to the date of issue of these financial statements. As a result of such assessment and after making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future (being a period of at least 12 months from 7 March 2022, the date that these financial statements are approved).

The Company, therefore, continues to adopt the going concern basis in preparing its financial statements.

K New standards, interpretations and amendments to published standards that have been adopted by the Company

The Company has applied the following standards and amendments for the first time in its annual reporting period commencing 1 January 2021.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Interest Rate Benchmark Reform Phase 2
These amendments, issued in August 2020, address issues that might affect financial reporting after the reform of an interest rate benchmark, including its replacement with alternative benchmark rates. In particular, they offer practical expedients, under certain conditions, when a financial contract is modified due to a change resulting directly from IBOR reform. They also allow a series of exemptions from the current rules around hedge accounting. The amendments will be considered as new interest rate benchmarks are introduced.

New disclosure requirements have also been introduced as part of Phase 2, and in line with these the Company has provided the below details around the nature and extent of risks to which it is exposed arising from financial instruments subject to IBOR reform, how such risks are managed and the Company's progress in completing its transition to alternative benchmark rates.

In the UK, GBP LIBOR has been replaced by SONIA from the end of 2021, and USD LIBOR is expected to be replaced by mid-2023. Euribor will remain but will be administered by EMMI (Euro Money Markets Institute).

The key challenge for the Company arose in the following area:

- All financial contracts that reference LIBOR needed to be amended

To deal with these risks and to manage the groupwide conversion, the Group initiated a project in 2019 to transition away from LIBOR by 31 December 2021.

All financial contracts referencing GBP LIBOR were amended by 31 December 2021. Transition from USD LIBOR has been more gradual as a result of the transition date moving to 30 June 2023, however the Company has no material financial instruments currently subject to the IBOR reform on its balance sheet at 31 December 2021 which have not yet transitioned to SONIA or an alternative interest rate benchmark.

L Exchange rates

Principal rates of exchange used for translation are:	**United States dollar 2021**	**Euro 2021**	United States dollar 2020	Euro 2020
Closing exchange rates at 31 December	1.35	1.19	1.37	1.12
Average exchange rates for the year ended 31 December	1.38	1.16	1.28	1.13

2. Segmental disclosure

The Company has not made any segmental disclosure as its income is wholly attributable to its principal activity and is generated in the UK.

3. Administrative expenses

Administrative expenses include £1.2m (2020: £nil) of expected credit losses and auditors' remuneration of £36.5k (2020: £35.1k) wholly in relation to audit work. The auditor received no fees (2020: £nil) for non-audit services on the Company's behalf.

4. Foreign exchange

Foreign exchange revaluation losses recognised in the Statement of Comprehensive Income was £0.3m (2020: £0.3m).

5. Employee costs and pension

The Company does not have direct employees since they are employed by a fellow subsidiary of Legal & General Group Plc, Legal & General Resources Limited (2020: nil). The Company is recharged a proportion of the staff costs incurred by the parent.

6. Directors' emoluments

	2021 £'000	2020 £'000
Short-term employment benefits	**280.5**	272.0
Compensation to directors for loss of office	**4.4**	-
Aggregate emoluments[1]	**284.9**	**272.0**

1. Director's emoluments have been attributed to the Company on the basis of the time spent on Company business by each Director.

These figures represent the portion of the directors' emoluments allocated in respect of their services to the Company. No fees were paid by the Company to the directors. Directors are not employees of the Company, but their services are reflected in a management charge levied by Legal & General Resources Limited. Emoluments relate to salaries and performance bonuses.

Retirement benefits are not accruing to any of the directors under a defined benefit pension scheme (2020: no directors).

In total the directors exercised share options over 4,038 shares under the Group's share schemes in the year (2020: 1,791).

Highest paid director:	**2021 £'000**	2020 £'000
Aggregate emoluments (incl. retirement benefits)	**246.4**	231.8

The highest paid director has accrued £nil (apportioned Company contribution) of retirement benefits in 2021 (2020: £nil).

Directors' loans

At 31 December 2021 there were no loans to directors (2020: none).

Directors' transactions and arrangements

No director had any material interest in any contract or arrangement of significance in relation to the business of the Company during 2021.

7. Finance income

Income from loans to group undertakings of £70.3m (2020: £59.7m) relates to interest income from loans to fellow group subsidiaries and the Company's parent, and £0.3m (2020: £0.3m) of foreign exchange revaluation losses.

Included within investment return is £0.8m (2020: £3.8m) of income from investments in managed funds and £0.1m (2020: £0.1m) of income from other investments. There were no fair value gains or losses in the period (2020: £nil).

8. Tax on profit on ordinary activities

	2021 £m	2020 £m
Profit before tax	**20.8**	11.4
UK corporation tax at 19% (2020: 19%)	**4.0**	2.2
Effects of:		
Disallowable expenses	**0.2**	-
Total income tax expense	**4.2**	2.2

Finance Act 2021 increased the rate of corporation tax from 19% to 25% from 1 April 2023. The prevailing rate of UK corporation tax for the year therefore remained at 19%. The future enacted tax rate of 25% has been used in the calculation of UK deferred tax assets and liabilities, as the rate of corporation tax that is expected to apply when those deferred tax balances reverse.

To calculate the current tax on profits, the rate of tax used is 19.0% (2020: 19.0%), which is the average rate of Corporation Tax applicable for the year.

9. Financial investments, non-current

	2021 £m	2020 £m
Loans to group undertaking	**601.2**	601.2

The investments above are neither past due nor impaired. The loans to group undertakings are held at amortised cost. The terms of the loans, interest rates and maturity dates are based on the sterling medium term notes set out in Note 13. The fair value of the loans is £845.7m (2020: £812.8m). The loans are classified as level 2 in the fair value hierarchy.

10. Financial investments, current

All of the financial investments are designated as fair value through profit or loss other than derivative assets which are designated as held for trading.

A Financial investments at fair value

The fair values of quoted financial investments are based on current bid prices. If the market for a financial investment is not active, the Company establishes fair value by using valuation techniques such as recent arm's length transactions, consensus market pricing, reference to similar listed investments or discounted cash flow models.

	2021 £m	2020 £m
Financial investments at fair value:		
Managed funds	**1,507.1**	1,816.0
Derivative assets	**2.3**	1.0
Reverse repurchase agreements	**10.0**	10.0
Total financial investments at fair value	**1,519.4**	1,827.0

None of the financial investments above are past due or impaired. The managed funds investments are holdings in Legal & General Investment Management Limited managed funds which invest solely in cash, cash equivalents and debt securities.

B Financial assets by hierarchy levels

Fair value measurements are based on observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company's view of market assumptions in the absence of observable market information. The Company utilises techniques that maximise the use of observable inputs and minimise the use of unobservable inputs.

10. Financial investments, current (continued)

The table that follows presents an analysis of the assets held at fair value in accordance with the measurement technique, defined below:

Level 1: fair values measured using quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2: fair values measured using valuation techniques for all inputs significant to the measurement other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
Level 3: fair values measured using valuation techniques for any input for the asset or liability significant to the measurement that is not based on observable market data (unobservable inputs).

As at 31 December 2021	Carrying value £m	Level 1 £m	Level 2 £m	Level 3 £m
Managed funds	**1,507.1**	**1,507.1**	**-**	**-**
Derivative assets	**2.3**	**2.3**	**-**	**-**
Reverse repurchase agreements	**10.0**	**-**	**10.0**	**-**
Total financial assets	**1,519.4**	**1,509.4**	**10.0**	-

The Company's policy is to re-assess the categorisation of financial assets at the end of each year and to recognise transfers between levels at that point in time.

There were no transfers between levels during the period.

As at 31 December 2020	Carrying value £m	Level 1 £m	Level 2 £m	Level 3 £m
Managed funds	1,816.0	1,816.0	-	-
Derivative assets	1.0	1.0	-	-
Reverse repurchase agreements	10.0	-	10.0	-
Total financial investments	1,827.0	1,817.0	10.0	-

11. Receivables

	2021 £m	2020 £m
Amounts owed by group undertakings	**1,204.6**	1,013.9
Allowance for expected credit loss	**(1.2)**	-
Total amounts owed by group undertakings	**1,203.4**	1,013.9

None of the receivables above are past due and £1.2m of expected credit losses has been recognised in the year (2020: £nil).

12. Cash and cash equivalents

	2021 £m	2020 £m
Cash at bank and in hand	**1.8**	102.2

13. Borrowings

	Carrying amount 2021 £m	Weighted average coupon rate 2021 %	Fair value 2021 £m
Core borrowings			
Sterling medium term notes 2031 - 2041	**598.3**	**5.87**	**845.7**
Operational borrowings			
Euro commercial paper	**50.0**	**0.16**	**50.0**
Total borrowings [1]	**648.3**	**-**	**895.7**

1. Total borrowings excludes accrued interest of £10.8m (2020: £10.8m) on sterling medium term notes

	Carrying amount 2020 £m	Weighted average coupon rate 2020 %	Fair value 2020 £m
Core borrowings			
Sterling medium term notes 2031 - 2041	598.2	5.88	926.0
Operational borrowings			
Euro commercial paper	50.0	0.78	50.0
Total borrowings	648.2	-	976.0

The presented fair values of the Company's core borrowings reflect quoted prices in active markets and those of the operational borrowings reflect observable market information. They have been classified as level 1 and 2 respectively in the fair value hierarchy.

Between 2000 and 2002 the Company issued £600m of senior unsecured sterling medium term notes at coupons between 5.75% and 5.875%. These notes have various maturity dates between 2031 and 2041.

13. Borrowings (continued)

Analysis by nature and maturity

		Maturity profile of undiscounted cash flows				
As at 31 December 2021	**Carrying amount £m**	**Within 1 year £m**	**1-5 years £m**	**5-15 years £m**	**15-25 years £m**	**Total £m**
Core borrowings						**-**
Sterling medium term notes 2031 - 2041	**598.3**	**10.7**	**-**	**590.0**	**10.0**	**610.7**
Operational borrowings						
Euro commercial paper	**50.0**	**50.0**	**-**	**-**	**-**	**50.0**
	648.3	**60.7**	**-**	**590.0**	**10.0**	**660.7**
Contractural undiscounted interest payments		**24.5**	**140.8**	**205.9**	**2.9**	**374.1**
Total contractual undiscounted cash flows		**85.2**	**140.8**	**795.9**	**12.9**	**1,034.8**

During 2021 interest expenses of £35.4m (2020: £36.5m) was incurred on external debt issued.

		Maturity profile of undiscounted cash flows				
As at December 2020	Carrying amount £m	Within 1 year £m	1-5 years £m	5-15 years £m	15-25 years £m	Total £m
Core borrowings						-
Sterling medium term notes 2031 - 2041	598.2	10.8	-	590.0	10.0	610.8
Operational borrowings						
Euro commercial paper	50.0	50.0	-	-	-	50.0
	648.2	60.8	-	590.0	10.0	660.8
Contractural undiscounted interest payments		24.4	140.8	240.5	3.5	409.2
Total contractual undiscounted cash flows		85.2	140.8	830.5	13.5	1,070.0

14. Other payables and financial liabilities

	2021 £m	2020 £m
Amounts owed to group undertakings	**2,623.1**	2,862.5
Other payables	**3.2**	1.5
Income tax payable	**4.2**	2.2
Derivitaive liabilities	**2.3**	1.0
Total other payables and financial liabilities	**2,632.8**	2,867.2

Included within amounts owed to group undertakings are those due within 12 months, totalling £2,027.1m (2020: £2,562.5m), the fair value of which is equivalent to their carrying values. Amounts owed to group undertakings of £596m are due after 12 months and have a fair value of £599.5m. Amounts owed to group undertakings are unsecured. Other payables and financial liabilities are classified as level 2 in the fair value hierarchy.

15. Share capital

	2021 Number of shares	2021 £	2020 Number of shares	2020 £
Alloted and partly paid:				
Ordinary shares of £1 each partially paid of 25p each	**50,000**	**12,500**	50,000	12,500

There is one class of ordinary shares of £1 each where all shares issued carry equal voting rights. The holders of the Company's ordinary shares are entitled to receive dividends as declared. There were no changes to the issued share capital during the financial year.

16. Parent and ultimate holding company

The immediate and ultimate parent company, and the smallest and largest group to consolidate these financial statements, is Legal & General Group Plc, a company incorporated in England and Wales. 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, legalandgeneralgroup.com or from the Company Secretary at the Registered Office, One Coleman Street, London, EC2R 5AA, United Kingdom.

17. Financial risk management

Management of risk

The Company, in the course of its business activities, is exposed principally to market, credit and liquidity risks. As part of the Legal & General Group, the Company operates within a formal risk management framework to ensure that all significant risks are identified and managed.

A risk identification and assessment process is operated to formally evaluate and manage significant risks to the achievement of the Company's objectives. A standard approach is used to assess risks. Senior management and the risk review functions (see below) review the output of the assessments.

Control framework

The Company manages its exposure to financial instruments by maintaining an appropriate control structure. Dealing authority is formally approved by the Legal & General Group Capital Committee. The Group Treasurer directs dealing operations and reports regularly to the Treasury Oversight Group and to the Board of this Company. The activities of the Group Treasury department are subject to review via periodic independent reviews and audits by internal auditors. The internal control framework within the Group Treasury department includes segregation of duties between dealing and settlement.

Risk review function

The Group's risk review function provides oversight of the risk management processes of the Legal & General Group companies. Its responsibilities include the evaluation of changes in the business operating environment and business processes, the assessment of these changes on risks to business and the monitoring of mitigating actions.

Details of the categories of risk to the Company and high-level management processes are set out below.

Market risk

A Currency

Currency risk is the risk arising from fluctuations in exchange rates which may affect assets, liabilities and any mismatch between the two.

The Company is also potentially exposed to loss as a result of fluctuations in the value of, or income from, assets denominated in foreign currencies. The Company's objective is to have minimal residual foreign exchange risk on its assets and liabilities. It achieves this by matching the currency of its assets with those of its borrowings. Where an opportunity exists to borrow in a different currency on an advantageous basis to that for which funding is actually required, cross currency swaps or forward foreign exchange contracts are used to convert to the desired currency.

During the year there were no material net exposures.

17. Financial risk management (continued)

B Interest rate risk

Interest rate risk is the risk arising from fluctuations in interest rates which may affect assets, liabilities and any mismatch between the two.

The Company's borrowings comprise the current and long-term liabilities set out in Note 13. All of the Company's borrowings were fixed rate loans under the medium term note and commercial paper programmes throughout the year and at 31 December 2021. The fixed rate loans in operation were lent to another group company on a fixed rate basis with the same maturities on an arm's length basis.

All floating interest rate liabilities have interest rates based on either SONIA or the relevant currency LIBOR equivalents.

A sensitivity analysis performed showed that +100 / - 50 basis points movement in interest rates would (decrease) / increase profit before income tax by (£2.2m) / £1.1m (2020: (£2.8m) / £1.4m).

C Exposure to worldwide equity markets

The only equity security investments held are in funds managed by Legal & General Investment Management Limited and are solely invested in cash, cash equivalents and debt securities. The funds are unlisted and based in the UK. Therefore, there is no underlying exposure on these funds to equity price risk.

Market infrastructure risk

Market infrastructure risk is the risk that the infrastructure supporting market trading in any of the major global financial centres fails or is impaired. Any subsequent inability to invest or raise funds in capital markets may cause significant disruption to the Company's principal activities and operations, potentially creating a strain on liquidity.

The risk of significant disruption to investment and capital markets is considered low, however there are actions management may take if the risk increases such as temporarily increasing cash reserves.

Credit risk

Credit risk is the risk that the Company is exposed to loss if another party fails to perform its financial obligations to the Company.

The investment of shareholder money requires some credit risk to be taken. Credit risk is managed through the setting and regular review of detailed counterparty credit and concentration limits. Compliance with these limits for treasury investments is monitored daily. The limits apply to cash deposits, money market investments, foreign exchange and interest rate management transactions. The Group's Credit Risk Committee oversees this process.

The credit risk of the external financial assets based on long term ratings is outlined below. Ratings are provided by independent rating agencies and the average of these is used.

As at 31 December 2021	**AA £m**	**A £m**	**Total £m**
Reverse repurchase agreements	**-**	**10.0**	**10.0**
Derivative assets	**-**	**2.3**	**2.3**
Cash and cash equivalents	**0.4**	**1.4**	**1.8**
Other assets	**-**	**-**	**-**
Total	**0.4**	**13.7**	**14.1**

As at December 2020	AA £m	A £m	Total £m
Reverse repurchase agreements	-	10.0	10.0
Derivative assets	-	1.0	1.0
Cash and cash equivalents	1.8	100.4	102.2
Other assets	-	-	-
Total	1.8	111.4	113.2

Amounts owed by group undertakings have been considered in Note 11, please also refer to Note 1F for further details.

17. Financial risk management (continued)

Liquidity risk

Liquidity risk is the risk that the Company either does not have sufficient financial resources available to enable it to meet its obligations as they fall due or can secure them only at excessive cost. A degree of liquidity risk is implicit in the activities of the Company. Liquidity risk arises as a consequence of the uncertainty surrounding the value and timing of cash flows.

The Group's treasury function manages liquidity to ensure that it maintains sufficient liquid assets which are able to be realised (see Note 10) as well as standby facilities to meet a prudent estimate of its net cash outflows. The Group's formal governance structure oversees the management of liquidity risk. See Note 13 for cash flow maturity details.

Climate risk

Climate risk is the risk that asset valuations and the wider economy are negatively impacted by the transition to a low-carbon economy, as well as the physical risk to asset holdings as a result of severe weather events and longer-term shifts in climate.

The Group has integrated climate risk management into its governance framework and has carried out a detailed assessment of how it might expect climate risk to emerge across its business model. The Group risk mitigation strategy includes setting portfolio carbon intensity targets, integrating carbon controls into the investment processes through stock exclusions and corporate engagement.

Capital management

The Company's capital is determined with reference to the requirements of the Company's stakeholders. In managing capital we seek to maintain sufficient, but not excessive, financial strength to support funding of the Legal & General Group, payment of dividends and the requirements of other stakeholders. The sources of capital used by the Company are equity shareholders' funds and retained earnings arising from the Company's operations. At 31 December 2021 the Company had £12,500 of ordinary share capital and £33.9m of retained earnings.

18. Commitments

The Company has two loan agreements under which it is committed to provide funding of £130m at 31 December 2021 (2020: £82m) to fellow group subsidiaries. Of this, £116m was drawn as at 31 December 2021 (2020: £6m). The agreements expire as follows: £5m on 2 June 2022 and £125m on 31 December 2024.

The undrawn amounts under all other loan agreements are cancellable at the request of either the borrower or lender.

19. Post balance sheet events

There were no adjusting post balance sheet events between 31 December 2021 and the approval of the report and accounts of the Company.