Stock Exchange Release
05 August 2008

Growth in sales, operating profit and dividend

Strength drives growth despite weaker investment markets

NEWS

Financial

- **Worldwide new business APE[1] up 8% year on year to £806m APE (H107: £749m)**
  - Growth in pension buyouts continues, sales treble to £1.4bn (single premium)
  - Total protection volumes stable despite difficult housing market
  - Strong growth of 22% in non profit pensions, SIPP[2] sales almost double
  - Institutional fund management new business continues to excel with £17.6bn in new funds
  - UK new business contribution up 8%
- **Operating profit up**
  - EEV[3] operating profit up 6% to £626m (H107: £589m)
  - EEV operating profit EPS up 11% to 7.33p
  - IFRS[4] operating profit up 1% to £391m (H107: £386m)
  - IFRS operating profit EPS up 17% to 4.61p
- **Strong balance sheet**
  - Society's[5] financial strength AA+
  - £1bn share buyback programme continues, £764m repurchased as at 29 July 2008
- **Half-year dividend up 7.5% to 2.01p (H107: 1.87p)**
- **Investment markets reduce profit after tax**
  - EEV profit after tax from ordinary activities £56m (H107: £672m)
  - IFRS (loss)/profit after tax from ordinary activities £(27)m (H107: £329m)

Business performance

- **Risk**
  - Record H1 for our annuities business as APE doubles
  - Group protection APE up 28%
  - Individual protection APE down only 11%, despite weak mortgage market
- **Savings**
  - Positive net flows into all product groups (core retail investments, pensions and bonds)
  - Suffolk Life contributes to stronger pension sales and margin
  - Core retail investment sales up 34%, benefiting from broader distribution and product range
- **Investment management**
  - Largest pension fund manager in UK - £286bn AUM[6]
  - Structured solutions funds up 25% since start of year to £15bn
- **International development**
  - Continued expansion in international footprint
  - Joint venture in Gulf States signed with Ahli United Bank
  - Joint venture with Bank of Baroda and Andhra Bank in India progressing to plan

(1) Annual Premium Equivalent = regular premium + 10% of single premium
(2) Self Invested Personal Pension
(3) European Embedded Value
(4) International Financial Reporting Standards
(5) Legal & General Assurance Society Limited
(6) Assets under Management (at 30 June 2008)

Legal & General

Group Chief Executive, Tim Breedon, said:

"Legal & General has delivered a strong set of results in market and economic conditions that have, as we expected, been challenging. We have continued to focus on exploiting the resilience of our business model to grow profitably. These results reflect the success of this approach and demonstrate our continued strengths: strong finances, multi-channel distribution, a diverse product range across complementary businesses, a strong brand and operational flexibility.

"The risk business has delivered a record six months of new business. We have diversified our individual protection sales away from the housing market in recent years, which has limited the impact of the difficult mortgage conditions. Annuities are continuing to see a surge in new business which began in the last quarter of 2007 with the demand for pension buyouts remaining high.

"The savings business has had a tougher six months against a background of investment market volatility, adverse tax changes and a rising cost of living. Despite this, we have continued to attract savings funds and have seen net inflows across all our product groups (core retail investments, pensions and bonds). Our acquisition of Suffolk Life in May has already started to contribute positively to sales and margins in our non profit pension business, which had a strong six months.

"The investment management business continues to thrive. Strong sales and higher profits again this year reinforce our position as the number one UK pension fund manager(7) – more than twice the size of our nearest competitor at the end of last year.

"Weaker equity markets inevitably create adverse investment variances which affect our reported after tax profits: these impacts can be expected to smooth out over time. As always, our operating profits, cash flows and balance sheet provide the barometer of our performance and financial strength. We are confident of our ability to continue growing profitably."

Business Commentary

Legal & General has three main businesses: Risk, Savings and Investment management

Risk businesses

Protection

Protection sales were broadly in line with last year's levels in H1 at £110m APE (H107: £111m), but achieved in very different economic conditions. Group protection sales were up 28% to £37m APE (H107: £29m) driven by product innovation, our strong reputation and high service standards. Individual protection sales were down just 11% in H1 to £73m APE (H107: £82m) despite Bank of England data showing mortgage approvals down 28%(8). The business has been diversifying its range of products and distribution away from mortgage transactions.

Annuities

The annuity business had a record H1 with sales up 100% to £178m APE (H107: £89m). This was driven by pension buyout business where we have written nearly 140 policies worth £1.4bn (H107: £0.4bn). As expected, sales were again dominated by shorter duration, large pension in payment contracts. Individual annuity sales were lower in H1 at £40m APE (H107: £51m) due to selectivity in pricing and increased competition in Q2.

(7) Hymans Robertson Market Briefing Survey 2008

(8) Bank of England mortgage/remortgage approvals (Year to June 2008)

Savings businesses

Non profit pensions

Sales were up 22% in H1 to £162m APE (H107: £133m). SIPP sales increased by 96% in H1 to £49m APE (H107: £25m) driven by new product launches and Suffolk Life sales being included in our figures for the first time since its acquisition in May. Corporate pensions also had a strong H1, with sales up 47%, with our innovative Group SIPP product continuing to attract new customers.

Unit linked bonds

Sales of unit linked bonds were down in H1 to £75m APE (H107: £136m). The step change in sales started when the Government proposed its capital gains tax reforms last Autumn. Investment market volatility has also been a factor. Bond sales appear to be stabilising (Q1 £40m/Q2 £35m APE) and we are building momentum in offshore and high net worth markets.

With-profits savings

Sales were up on the previous quarter with Q2 £61m APE (Q1 £43m), but overall sales in the first half were lower at £104m (H107: £129m). Within this total, with-profits bonds sales were up 120% year on year following a new product launch.

Retail investments

Sales of UK core retail investments were strong, up 34% with £115m APE (H107: £86m) and higher Q2 on Q1. Sales growth has been driven in challenging economic conditions by continued expansion in our product offering and distribution – sales through Nationwide Building Society began in February. We have also launched a range of fund of funds products following the transfer of £0.4bn of Bradford & Bingley Group client assets.

Investment management

The institutional investment management business has continued to attract new funds with gross inflows of £17.6bn in H1 (H107: £17.0bn). Our structured solutions business has grown funds under management to £15bn, up from £12bn at the start of the year. Total UK funds under management for the investment management business were £286bn at 30 June 2008.

Outlook

Our business model gives us the confidence in our ability to continue to exploit opportunities throughout the current economic cycle and build a strengthened market position and platform for profitable growth. Strong finances, diversified product range and distribution have enabled us to deliver increased new business, operating profits and dividend.

Corporate markets have seen strong progress this year. Employers are continuing to support employee benefits such as pensions and group protection where we expect growth to continue. The conditions stimulating the pension buyout market remain. The quotation pipeline for pension buyouts is strong. We envisage our investment management business continuing to benefit from institutional flows and diversification into non index products.

We are confident in the resilience of our individual protection business and the ongoing action we are taking to diversify sales away from the mortgage event. We do however expect to see volumes remain at current lower levels throughout the rest of 2008.

Equity market volatility has impacted confidence in savings markets. We have seen some changes in savings habits, notably the increased popularity of low risk products. Our pensions business has continued to grow scale and margin – a trend we anticipate continuing into the second half. We expect to see the unit linked bond market settle at current reduced levels. We remain confident in our ability to grow assets under administration due to broad distribution and product range.

Balance sheet and dividend

Legal & General's balance sheet remains strong, underpinned by a high quality investment portfolio. As at the end of June, IGD[9] surplus stood at £3.4bn, Society surplus at £3.9bn, and Society's AA+ financial strength rating remained in place.

The Board undertakes a comprehensive balance sheet scenario and stress testing exercise each year and a balanced scorecard assessment is presented to the market. This ensures ongoing discipline in the efficient management of the capital base of the Group. Last year, this exercise identified a £1bn excess of capital over the business' requirements, and we commenced a share buyback programme in July 2007. Share repurchases under this programme continue, with £764m completed by the 29 July. The Board has concluded that it is appropriate to continue and complete this share buyback programme which is expected to conclude by the end of 2008. Legal & General remains committed to efficient balance sheet management, and the return of excess capital to shareholders.

The Board has proposed an interim dividend of 2.01p per share, an increase of 7.5%. The Company's dividend is based on a thorough review of the Group's financial strength, future capital requirements and current and future investment market conditions, and a continued commitment to a strong balance sheet and profitable growth.

(9) Insurance Groups Directive

Enquiries

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Notes

- Issued share capital at 30 June 2008 was 5,979,009,914 shares of 2.5p.
- A copy of this announcement can be found in “Results”, under the “Financial information” section of our shareholder website at http://investor.legalandgeneral.com/investors/results.cfm.
- A presentation to analysts and fund managers will take place at 09.30 London time today at One Coleman Street, London, EC2R 5AA. There will be a live webcast of the presentation which can be accessed at http://investor.legalandgeneral.com/investors/results.cfm. A replay will be available on this website later today. There will be a live listen only teleconference link to the presentation. UK and overseas investors should dial +44 (0)1452 568 060. The conference ID number is 54355101.

Basis of preparation

The European Union requires all listed companies to prepare their consolidated financial statements using standards issued by the International Accounting Standards Board as adopted by the European Union. The Group’s statutory results have therefore been reported on an International Financial Reporting Standards basis. The Group’s directors continue to believe that the supplementary accounts prepared using European Embedded Value principles provide shareholders with a good understanding of the value which has been generated by the Group.

The following financial statements were approved by a sub-committee of the Board on 4 August 2008 and constitute non statutory accounts within the meaning of Section 240 of the Companies Act 1985. The Group’s financial statements for 2007 include the auditors’ unqualified report and do not contain a statement under either Sections 237(2) or 237(3) of the Companies Act 1985.

Financial calendar 2008:

Event	Date
Ex-dividend date for 2008 interim dividend	3 September 2008
Payment date for 2008 interim dividend (to members registered on 5 September 2008)	1 October 2008
Q3 2008 New Business	16 October 2008
Q4 2009 New Business	29 January 2009
2008 Preliminary Results	25 March 2009

A Dividend Re-investment Plan is available to shareholders.

Forward-looking statements

This document may contain certain forward-looking statements with respect to certain of Legal & General Group Plc’s plans and its current goals and expectations relating to future financial condition, performance and results. By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances which are beyond Legal & General Group Plc’s control, including, among others, UK domestic and global economic and business conditions, market related risks such as fluctuations in interest rates and exchange rates, the policies and actions of regulatory authorities, the impact of competition and the policies and actions of governmental and regulatory authorities and the timing impact and other uncertainties of future acquisition or combinations within relevant industries. As a result, Legal & General Group Plc’s actual future condition, performance and results may differ materially from the plans, goals and expectations set out in Legal & General Group Plc’s forward-looking statements. Legal & General Group Plc does not undertake to update forward-looking statements contained in this document or any other forward-looking statement it may make.

Business review

Financial highlights	H1 2008	H1 2007 (restated[4])
EEV[(1)] basis:		
Worldwide life and pensions new business (PVNBP[(2)])	**£5,301m**	£4,979m
Worldwide contribution from new life and pensions business	**£194m**	£178m
Worldwide life and pensions operating profit	**£564m**	£551m
Worldwide operating profit	**£626m**	£589m
Profit from ordinary activities after tax	**£56m**	£672m
Shareholders' equity	**£7,781m**	£8,365m
Shareholders' equity per share	**130p**	128p
Diluted earnings per share based on operating profit after tax	**7.30p**	6.59p
IFRS[(3)] basis:		
Worldwide operating profit	**£391m**	£386m
(Loss)/profit from ordinary activities after tax	**£(27)m**	£329m
Shareholders' equity	**£4,675m**	£5,515m
Shareholders' equity per share	**78p**	84p
Diluted earnings per share based on operating profit after tax	**4.59p**	3.91p
Interim dividend per share	**2.01p**	1.87p

Notes:

1. European Embedded Value
2. Present Value of New Business Premiums
3. International Financial Reporting Standards
4. Restated for revised IFRS operating profit definition

RESULTS OVERVIEW

The present value of new worldwide life and pensions premiums increased by 6% in the first half of 2008 to £5,301m (H1 07: £4,979m) driven by continued success in the pension buyout market and strong growth in both group protection and non profit pensions. These positive developments more than offset lower sales in individual protection and significantly lower unit linked bond sales.

The contribution from new life and pensions business grew by 9% to £194m (H1 07: £178m), resulting from increased sales of higher margin risk products and an improvement in pension margins. These effects more than offset lower unit linked bond margins. EEV operating profit was up 6% to £626m, reflecting the higher new business profits, a solid in-force result, higher profits in our investment management business and lower flood costs in general insurance.

IFRS operating profit was higher in the first half of 2008 at £391m (H1 07: £386m). Higher profit in our investment management business underpinned this improvement along with a 20% increase in the transfer from the with-profits business. Our non profit life and pension businesses continued to be self financing, with the expected release from our in-force portfolio exceeding the cost of new business investment.

Lower investment markets have led to a negative variation from longer term investment return of £538m on an EEV basis (H1 07: positive £197m), reducing profit from ordinary activities after tax to £56m in H1 08 (H1 07: £672m).

Shareholders' equity on the EEV basis stood at £7.8bn at 30 June 2008 (FY 07: £8.5bn). Before allowing for the cost of the 2007 final dividend and repurchase of shares under our buyback programme, shareholders' equity on the EEV basis was up 1% compared to the year end 2007 position. We have continued to increase the efficiency of the balance sheet by buying back £0.4bn of shares under our buyback programme. These were repurchased throughout the period at a price below EEV per share, which was 130p at 30 June 2008 (FY 07: 134p).

The balance sheet position, as summarised in our capital balanced scorecard remains strong despite weaker investment markets. The AA+ financial strength rating for Legal & General Assurance Society Limited remains unchanged. Our buyback programme initiated 12 months ago continues, and is expected to complete later this year. The current and projected cash profile of the group remains strong and underpins the Board's confidence in proposing a dividend of 2.01p per share, an increase of 7.5%.

NEW BUSINESS AND EEV MARGINS

£m	H1 2008				H1 2007 Restated(1)			
	APE	**PVNBP**	**CNB(2)**	**PVNBP Margin (%)**	APE	PVNBP	CNB(2)	PVNBP Margin (%)
UK life and pensions:								
Protection	**110**	**553**	**38**	**6.9**	111	563	51	9.1
Annuities(3)	**178**	**1,776**	**135**	**7.6**	89	895	88	9.8
Total risk	**288**	**2,329**	**173**	**7.4**	200	1,458	139	9.5
Unit linked bonds	**75**	**749**	**(4)**	**(0.5)**	136	1,355	21	1.5
Pensions, stakeholder and other non profit	**162**	**1,047**	**(2)**	**(0.2)**	133	920	(5)	(0.5)
With-profits savings	**104**	**711**	**11**	**1.5**	129	739	10	1.4
Total savings	**341**	**2,507**	**5**	**0.2**	398	3,014	26	0.9
Total UK life and pensions new business	**629**	**4,836**	**178**	**3.7**	598	4,472	165	3.7
International life and pensions	**59**	**465**	**16**	**3.5**	63	507	13	2.6
Total life and pensions new business	**688**	**5,301**	**194**	**3.7**	661	4,979	178	3.6
UK core retail investments	**115**	**N/A**	**N/A**	**N/A**	86	N/A	N/A	N/A
International retail investments	**3**	**N/A**	**N/A**	**N/A**	2	N/A	N/A	N/A
Total new business	**806**				749			
		New business				New business(1)		
Institutional investment management		**17,645**				17,021		

(1) UK core retail investments excludes institutional investments in unit trust funds which are disclosed as part of institutional fund management new business. H1 07 has been restated to reflect this change.
(2) Contribution from new business
(3) Annuities written in the with-profits part of the fund have been recategorised from 'with-profits' to 'annuities' and H1 07 comparatives restated. This business amounted to £15m of PVNBP (H1 07: £33m; FY 07: £47m) and £1m of new business contribution (H1 07: £1m; FY 07: £2m)

Worldwide new business APE was up 8% to £806m (H1 07: £749m), primarily as a result of growth in our Risk business. Life and pensions new business margin was 3.7% (H1 07: 3.6%) of PVNBP, the increase reflecting stable margins in the UK and higher margin in our overseas businesses.

UK Risk new business

Total APE sales increased 44% to £288m, driven by a continued surge in pension buyout business and strong growth in group protection.

Protection new business APE was 1% lower than in the first half of 2007, a resilient result reflecting the strength of our diversification of product and distribution. Within this result group protection sales grew 28% - benefiting from our strong reputation and high service standards. We have continued to develop our administrative and underwriting capabilities in the first half and recently launched an innovative underwriting approach which has been received well by intermediaries.

Individual protection APE was down 11% - a good result against the backdrop of a weakening housing market which has seen 28% reduction in mortgage approvals. We have, in the first half, focused increasingly on product sales not related to the mortgage event. Our distribution relationship with Nationwide Building Society went live in February and is already making a good contribution to sales.

The protection margin was 6.9% in H1 08 (FY 07: 9.3%; H1 07: 9.1%). There was a benefit to margins of lower in-force expenses, offset by more competitive pricing conditions in the first half.

Annuity sales continued, in line with our earlier indication, at a high level in the second quarter, to give £178m (H1 07: £89m) of APE in the first half. Individual annuity sales were lower by 22% reflecting increased selectivity in our pricing and increased competition in Q2.

This was more than offset by the surge in pension buyout business in the first half. Companies continue to demand products which help to protect their balance sheet from pension scheme volatility – and quotation activity remains high. New business is now dominated by larger pension in payment contracts, but it is testament to our operational model that we still wrote nearly 140 policies in the first half of the year.

The annuity business margin was 7.6% (FY 07: 9.1%; H1 07: 9.8%). As reported in our preliminary results, the vast majority of new buyout business is being written for pension in payment and less for deferred business, shortening the average duration of new business by approximately 3 years. Under the EEV methodology, this mechanically reduces the reported new business margin.

UK Savings new business

APE sales in our savings business (including UK core retail investments) were 6% lower in the period at £456m – a robust performance in a very challenging market place. Within this there was a shift in the mix of business, with strong growth in non profit pensions, with-profits bonds and core retail investments offsetting lower sales in unit linked bonds.

Unit linked bond sales were significantly lower, down 45% in the first half to £75m of APE, continuing the trend seen in Q1 2008. The step change in volumes this year reflected the impact of changes to Capital Gains Tax and some customer caution towards investment in a period of market volatility. We have continued to reposition our business to focus on those areas of the bond market which remain buoyant – including the high net worth and offshore bond markets.

As a result of the drop in sales, unit acquisition expenses have increased compared to year end 2007 levels. This has driven a reduction in margins to negative 0.5% (FY 07: positive 0.8%; H1 07: 1.5%).

Non profit pensions continued to grow, with new business APE up 22% in the first half of the year. We have seen progress in the underlying non profit pension business, supplemented by seven weeks of sales from Suffolk Life, a leading high net worth pension provider acquired in May. SIPP sales accounted for 50% of retail non profit pension sales in the first half, reflecting our ongoing strategic repositioning of the pension business.

Margins improved to negative 0.2% (FY 07: negative 0.8%; H1 07: negative 0.5%). We continue to invest in improvements in systems and administration to build sustainable value in the pensions business.

With-profits savings has seen a pickup in sales of with-profits bonds – up 120% to £11m of APE sales. Individual pensions written in the with-profits part of the fund were £85m APE (H1 07: £111m). These products reflect primarily older-style pension contracts and increments on existing schemes and have not seen the increase in demand reflected in our non profit pensions business.

With-profits savings margins were higher at 1.5% in the first half (FY 07: 1.3%; H1 07: 1.4%) reflecting favourable change in mix.

Core retail investments grew strongly against a backdrop of volatility in investment markets. The underlying business grew, reflecting continued focus on expanding our product, distribution and administrative infrastructure. With the addition of products distributed through Nationwide Building Society, APE new business grew by 34% year on year. We have been successful in expanding our sales through specialist IFAs, offsetting more challenging conditions in bank and direct distribution.

International new business

In the US, our high net worth term business continued to deliver growth, with regular premiums up 7% to $47m. A Triple X financing structure was agreed in the second half of 2007 to cover 2007 and 2008 new business. As a result, margins in our US business were higher at the FY 07 stage (7.3%) and in H1 08 (7.0%) than was seen in H1 07 (1.5%).

In the Netherlands, industry conditions remained challenging, but overall APE new business was stable at €21m. Although we have been successful in expanding market share in our selected product areas, price competition across the industry has contributed to reduced margins in the protection business, and reduced overall margins to 1.7% (FY 07: 2.5%; H1 07: 4.7%).

In 2007, our French business benefited, along with the industry, from an exceptional volume of business stimulated by fiscal changes. As a result, we expected sales to return to more normal volumes in 2008, and overall APE new business was 36% lower at €25m. Underlying sales were below our expectations in volatile investment markets. As a result margins were lower at 1.5% (FY 07: 2.4%).

Institutional investment management new business

Institutional investment management sales (including unit trusts) were again strong at £17.6bn. Our core pension scheme fund management products continue to resonate with our customers and their advisers in volatile economic conditions. We have seen a higher proportion – 78% – of new managed pension fund business coming from existing clients this year – a trend which is likely to continue given our very large growth in funds over recent years. Combined with strong client retention, net sales supported UK total funds under management of £286bn, down just 4% from the year end position despite significant drops in global investment markets.

We have once again grown our structured solutions business – funds under management stood at £15bn at the end of the period, compared to £12bn at the start of the year. We continue to invest in our product and service infrastructure to ensure that our clients' needs are met.

EEV BASIS FINANCIAL RESULTS

UK life and pensions operating profit

£m	H1 2008	H1 2007
Contribution from new business after cost of capital	**178**	165
Contribution from in-force business	**171**	191
Development costs	**(21)**	(10)
Contribution from shareholder net worth	**178**	151
UK life and pensions operating profit	**506**	497

UK life and pensions - Contribution from in-force business

£m	H1 2008	H1 2007
Expected return	**149**	127
Experience variances and operating assumption changes(1)		
- Persistency	**(11)**	(3)
- Mortality/morbidity	**10**	5
- Expenses	**41**	(15)
- Other	**(18)**	77
Contribution from in-force business	**171**	191

(1) Full experience investigations are not undertaken at the half-year. A conservative approach is taken when revisiting any future operating assumptions. A full review of assumptions is made with the preliminary results each year.

The expected return from the UK life and pensions business increased to £149m (H1 07: £127m) reflecting the unwind in the first six months of the opening discount rate of 7.5% on the opening adjusted in-force value of the UK life and pensions business. Details of the calculation can be found in Note 3.01 of the financial results.

Experience variances and operating assumption changes within the in-force UK life and pensions business totalled £22m, comprising:

- **Persistency:** Experience variances and assumption changes totalling negative £11m related mostly to our unit linked bond business. We saw a small increase in lapse rates in the first half; this has been prudently taken to assumptions at a cost of £14m in the period. This was offset by a small improvement in experience on our with-profits savings business.
- **Mortality/morbidity:** The overall positive impact of £10m related largely to improved experience in our group protection business. Other aspects of mortality and morbidity experience were in line with assumptions.
- **Expenses:** In-force unit expenses within our individual protection business reduced as a result of continued focus on improving systems and processes within this market leading business. This led to a £49m positive assumption change at the end of the period. There were smaller positive contributions from non profit pensions, primarily offset by higher expenses relating to investment in operational capacity within our growing annuities business.
- **Other:** Other experience variances and assumption changes amounted to negative £18m, being the sum of a number of small effects across our businesses. The £77m positive contribution reported in H1 07 included an £88m one-off impact of introducing market referenced fees for the management of internal assets.

UK life and pensions - Development costs

Development costs of £21m related to continued investment in strategic systems and development capability across our Risk and Savings businesses.

UK life and pensions - Contribution from shareholder net worth

The contribution from shareholder net worth increased to £178m (H1 07: £151m), reflecting in part a change in the definition of covered business between the two periods. The calculation of the contribution from shareholder net worth in the first half of 2008 is described in detail in Note 3.01 in the financial pages of this pack.

The value of Society shareholder capital invested assets and the embedded value of the contingent loan at the end of the period were £3.7bn and £766m respectively.

International life and pensions operating profit

£m	H1 2008	H1 2007
Contribution from new business after cost of capital	**16**	13
Contribution from in-force business		
- Expected return	**47**	40
- Experience variances	**(13)**	(6)
- Operating assumption changes	**-**	-
Contribution from shareholder net worth	**8**	7
Operating profit	**58**	54

New business profits were higher in the period, reflecting the Triple X financing in the US which was secured in the second half of 2007.

Higher expected return and contribution from shareholder net worth reflect the unwinding of assumptions on higher opening balance sheet values.

Experience variances of negative £13m related primarily to the US business.

Profit attributable to equity holders

£m	**H1 2008**	H1 2007
Operating profit	**626**	589
Variation from longer term investment return	**(538)**	197
Effect of economic assumption changes	**(10)**	(6)
Property (expense)/income attributable to minority interests	**(13)**	17
Profit from continuing operations before tax attributable to equity holders	**65**	797
Tax charge on profit from ordinary activities	**(9)**	(218)
Effect of UK Budget tax changes	**-**	93
Profit from ordinary activities after tax	**56**	672
Loss/(profit) attributable to minority interests	**13**	(17)
Profit attributable to equity holders	**69**	655

There was a negative investment variance of £538m, largely as a result of lower equity and property values.

As we reported last year, the 2007 Budget gave rise to a one-off increase in embedded value of £93m, primarily from the reduction in the corporation tax rate to 28% from April 2008.

IFRS BASIS

UK life and pensions operating profit

£m	**H1 2008**	H1 2007 Restated[1]
Non profit business		
- Expected capital release	**241**	211
- New business strain	**(237)**	(142)
- Reserving changes and other adjustments	**64**	38
Net capital released from non profit business (net of tax)	**68**	107
Net capital released from non profit business (gross of tax)	**95**	153
Investment return	**154**	154
Other expenses	**(10)**	(15)
Non profit business	**239**	292
With-profits business	**60**	50
UK life and pensions operating profit	**299**	342

[1] Restated for revised IFRS operating profit definition.

The expected capital release from the in-force business was again higher than new business strain. The in-force release at £241m was 14% higher than in H1 07, reflecting growth in the business in 2007, and was boosted by a contribution from Nationwide Life. We expect the release of £406m reported for full year 2007 to be increased by around 10% in 2008.

New business strain increased to £237m (H1 07: £142m) in the first half of the year, reflecting the impact of significantly higher pension buyout volumes. Buyout business also attracted higher strain per pound of premium. This was partly offset by lower new business strain on unit linked bonds.

Reserving changes and other adjustments amounted to £64m (H1 07: £38m). This includes positive contributions from the release of provisions from our BPA data loading process, investment effects within our non profit business and positive movements in non-cash balances such as deferred tax.

Smoothed investment return remained stable at £154m. This reflected an average return of 3% on the average balance of invested assets held within Society shareholder capital during the first half of the year (including interest bearing intra-group balances), calculated on a quarterly basis. Invested assets (including interest bearing intra-group balances) held within the Society shareholder capital amounted to £4.5bn at 30 June 2008 (£4.7bn at 31 December 2007).

The with-profits transfer reflects one ninth of the cost of policyholder bonuses. The transfer, grossed up for shareholder tax, increased to £60m (H1 07: £50m) as a result of a higher level of product maturities.

International life and pensions operating profit

£m	H1 2008	H1 2007
USA	**30**	32
Netherlands	**8**	4
France	**10**	5
International life and pensions operating profit	**48**	41

US operating profit remained broadly stable at £30m (H1 07: £32m). Lower operating expenses and higher in-force profits on a growing book of business were offset by small adverse mortality experience.

The improvement in profits from our business in France to £10m (H1 07: £5m) reflected improved claims experience within our group risk business.

Investment management operating profit

£m	H1 2008	H1 2007
Institutional investment management new business[1]	**17,645**	17,021
Operating profit:		
- Managed pension funds	**63**	51
- Property	**4**	5
- Retail investments	**(1)**	6
- Other income	**27**	11
Operating profit	**93**	73

[1] Including £1,421m of institutional investments in unit trust funds (H1 07: £795m) previously reported within UK Savings

We believe that IFRS operating profit is more appropriate than EEV profit for considering the performance of our institutional investment management business. Profit of £93m was 27% higher than last year (H1 07: £73m), a proportion of which relates to a £15m increase in profit earned as a result of introducing market referenced fees for internal business. Excluding this, underlying profit was up 7% - a strong result in the context of investment markets.

General insurance operating profit

	H1 2008		H1 2007	
£m	**Operating profit/(loss)**	**Underwriting result**	Operating profit/(loss)	Underwriting result
Household	**(7)**	**(14)**	(52)	(59)
Other	**3**	**3**	14	11
	(4)	**(11)**	(38)	(48)

In the first half of this year the general insurance business reported a loss of £4m (H1 07: loss of £38m). The result for H1 07 included £40m for the cost of exceptional weather events in the UK. We continue to build the household business across broker, mortgage related and direct channels, and have increased household gross written premium by 6% year on year while reducing expenses.

Other operational income

£m	H1 2008	H1 2007 Restated[1]
Shareholders' other income:		
- Investment return on shareholders' equity	**29**	27
- Interest expense	**(66)**	(55)
	(37)	(28)
Other operations	**(1)**	1
Unallocated corporate and development expenses	**(7)**	(5)
Other operational income	**(45)**	(32)

[1] Restated for revised IFRS operating profit definition.

Smoothed investment return on shareholders' equity was higher in the period. This includes investment return on the average balance of invested assets (including interest bearing intra-group balances) held centrally. As at 30 June 2008, these assets amounted to £0.8bn.

Interest expense increased primarily due to interest payments on the Innovative Tier 1 debt of £600m issued in May 2007.

Profit attributable to equity holders

£m	H1 2008	H1 2007 Restated[1]
Operating profit	**391**	386
Variation from longer term investment return	**(422)**	96
Property (expense)/income attributable to minority interests	**(13)**	17
(Loss)/profit from continuing operations before tax attributable to equity holders	**(44)**	499
Tax attributable to equity holders	**17**	(170)
(Loss)/profit from ordinary activities after tax	**(27)**	329
Loss/(profit) attributable to minority interests	**13**	(17)
(Loss)/profit attributable to equity holders	**(14)**	312

[1] Restated for revised IFRS operating profit definition.

The variation from longer term investment returns contributed negative £422m in the period (H1 07: positive £96m). As described in the EEV financial results section above, the major contributor to this was lower investment markets in the period.

SHARE BUYBACK

In July 2007, Legal & General initiated a £1bn share buyback programme. By 29 July 2008, 609m shares had been repurchased at a cost of £764m (after costs).

Of this total, 330m shares were repurchased in the first half of 2008, at a cost of £408m (after costs), giving an average price per share of 123.6p (after costs). This compared with the volume weighted average price over that same period of 124.2p. All shares repurchased have been cancelled.

INVESTMENT PORTFOLIO

Legal & General has no significant exposure to credit-impaired securities.

£bn	30 June 2008
Worldwide funds under management	304
Client and policyholder assets	(259)
With-profits fund assets	(19)
Assets to which shareholders are directly exposed	26
Comprising:	
Assets held to back the UK non-linked non profit business	18
Assets held to back other insurance businesses (including Triple-X reserves)	2
Society shareholder capital assets	4
Other Group shareholder assets	2
	26
Split by asset class:	
Equities	2.5
Property	0.3
Bonds (including cash equivalents)	22.5
Derivative assets	0.6
Cash	0.5
	26.4
Split of bonds by credit rating:	
AAA	6.5
AA	3.5
A	8.1
BBB	3.2
BB or below	0.1
Not rated	1.1
	22.5

We manage £304bn of assets worldwide of which £259bn are managed for the exclusive benefit of clients and policyholders and for which shareholders bear no direct market risk.

£19bn of assets are held within the with-profits part of the fund in the UK. This fund is managed with the aim of being self-financing.

The shareholders' direct exposure to asset markets comprises:

- Assets held to back Legal & General's UK non-linked non profit business of £18bn;
- Assets held to back other insurance business of £2bn;
- Society shareholder capital assets of £4bn, which are invested predominantly in equities (67% equities; 8% property; 25% bonds and cash); and
- Other Group shareholder assets of £2bn, including shareholder assets managed centrally by the Treasury function and investments within general insurance, investment management and our international businesses.

In respect of the £22.5bn held in bonds to which shareholders are exposed, 95% is investment grade. At 30 June 2008, total asset-backed security (ABS) bond holdings within these portfolios amounted to £4.4bn with a AA average credit rating. Within this, we held:

- Sub-prime and Alt A mortgage backed holdings of £41m, including £6m exposure to structured investment vehicles. There are also sub-investment grade ABS holdings of £3m.
- Commercial Mortgage Backed Securities of £613m with an average credit rating of AA.
- Residential Mortgage Backed Securities of £468m with an average credit rating of AAA.

- Total CDO holdings of £1,040m, with an average credit rating of AAA on the Moody's methodology. The holdings are internally managed, with a reference portfolio of investment grade US and European corporate bonds.

Shareholder exposure to sub-investment grade monoline wrapped credit was very limited, representing approximately 0.5% of the total portfolio of £22.5bn to which shareholders are exposed.

Legal & General diversified its sources of fixed income investment return in 2008 and reduced reliance on UK corporate bonds. The approach enables more active management of the annuity portfolio assets, in particular, the ability to access non UK sectors and diversify issuer specific credit risk. The average duration of new fixed income securities purchased in 2008 as backing assets for new business annuity liabilities was approximately three years less than the existing holdings.

CAPITAL BALANCED SCORECARD AND ANNUAL CAPITAL REVIEW

	Range	**At 30 June 2008**	At 31 December 2007
IGD surplus capital	£3bn-£4bn	**£3.4bn**	£4.1bn
Society surplus capital	£2.5bn-£3.5bn	**£3.9bn**	£4.4bn
Economic capital	Strong AA	**Very strong AA**	Very strong AA
Return on embedded value	Increase over medium term	**10.8%[1]**	8.0%

[1] Annualised return

It is our practice to undertake a full scenario and stress testing exercise annually. At the interim results last year this analysis led the board to recommend that £1bn of capital was in excess of the business's requirements and should be returned to shareholders by means of a share buyback.

The Board has once again considered the balance sheet position of the Group, and has concluded that it is appropriate to continue, and complete the existing share buyback programme. The Board remains committed to a full annual review of the balance sheet, and to returning capital in excess of foreseeable requirements to shareholders.

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New Business

2.01 New business summary

	Notes	APE[1] 30.06.08 £m	PVNBP[2] 30.06.08 £m	Margin[3] 30.06.08 %	APE 30.06.07 Restated[4] £m	PVNBP 30.06.07 £m	Margin 30.06.07 %
UK life and pensions	2.02	**629**	**4,836**	**3.7**	598	4,472	3.7
International life and pensions	2.05	**59**	**465**	**3.5**	63	507	2.6
Total life and pensions		**688**	**5,301**	**3.7**	661	4,979	3.6
UK core retail investments[4]	2.08	**115**			86		
International retail investments	2.08	**3**			2		
Total core retail investments		**118**			88		
Total		**806**			749		

	Notes	30.06.08 £m	30.06.07 £m
Institutional fund management	2.11	**17,645**	17,021

	Notes	APE Full year 31.12.07 £m	PVNBP Full year 31.12.07 £m	Margin Full year 31.12.07 %
UK life and pensions	2.02	1,160	8,892	3.6
International life and pensions	2.05	114	915	4.1
Total life and pensions		1,274	9,807	3.7
UK core retail investments[4]	2.08	161		
International retail investments	2.08	2		
Total core retail investments		163		
Total		1,437		

	Notes	31.12.07 £m
Institutional fund management	2.11	54,431

1. Annual Premium Equivalent (APE) is calculated for total new business, including core retail investments but excluding institutional fund management, and comprises the new annual premiums together with 10% of single premiums.
2. The present value of new business premiums (PVNBP) on the EEV basis is defined as the present value of annual premiums plus single premiums for any given period. It is calculated using the same assumptions as for the contribution from new business but determined as at the point of sale.
3. The new business margin is defined as the contribution from new business (including the cost of solvency capital) divided by the PVNBP.
4. UK core retail investments excludes institutional investments in unit trust funds which are disclosed as part of institutional fund management new business in Note 2.11. H1 07 has been restated to reflect this change.

2.02 Analysis of UK life and pensions new business by product

For the six months ended 30 June 2008	APE £m	Contribution from new business[1] £m	PVNBP £m	Margin %
Protection	**110**	**38**	**553**	**6.9**
Annuities[2]	**178**	**135**	**1,776**	**7.6**
Total risk	**288**	**173**	**2,329**	**7.4**
Unit linked bonds	**75**	**(4)**	**749**	**(0.5)**
Pensions, stakeholder and other non profit[3]	**162**	**(2)**	**1,047**	**(0.2)**
With-profits savings	**104**	**11**	**711**	**1.5**
Total savings	**341**	**5**	**2,507**	**0.2**
Total risk and savings	**629**	**178**	**4,836**	**3.7**
Cost of capital		**12**		
Contribution from new business before cost of capital		**190**		

For the six months ended 30 June 2007	Restated[2]	Restated[2]	Restated[2]	Restated[2]
Protection	111	51	563	9.1
Annuities[2]	89	88	895	9.8
Total risk	200	139	1,458	9.5
Unit linked bonds	136	21	1,355	1.5
Pensions, stakeholder and other non profit	133	(5)	920	(0.5)
With-profits savings	129	10	739	1.4
Total savings	398	26	3,014	0.9
Total risk and savings	598	165	4,472	3.7
Cost of capital		20		
Contribution from new business before cost of capital		185		

For the year ended 31 December 2007				
Protection	223	108	1,161	9.3
Annuities[2]	205	187	2,045	9.1
Total risk	428	295	3,206	9.2
Unit linked bonds	251	21	2,512	0.8
Pensions, stakeholder and other non profit	253	(14)	1,674	(0.8)
With-profits savings	228	19	1,500	1.3
Total savings	732	26	5,686	0.5
Total risk and savings	1,160	321	8,892	3.6
Cost of capital		19		
Contribution from new business before cost of capital		340		

1. The contribution from new business is defined as the present value at point of sale of assumed profits from new business written in the period and then rolled forward to the end of the financial period using the risk discount rate applicable at the end of the reporting period.
2. With-profits annuity business has been categorised from 'with-profits' to 'annuities' and H1 07 comparatives restated. This business amounted to £15m (H1 07: £33m; FY 07: £47m) of PVNBP and £1m (H1 07: £1m; FY 07: £2m) of new business contribution.
3. On 6 May 2008 the Group acquired 100% of the shares of Suffolk Life. New business contribution of £3m earned since this date in respect of Suffolk Life's insured and non-insured Self Invested Personal Pension (SIPP) business is included under pensions, stakeholder and other non profit. Further information on this acquisition can be found in Note 4.09.

2.03 Internal rate of return on non profit business

	30.06.08 %	30.06.07 %	31.12.07 %
Non profit internal rate of return (including solvency margin)	**13**	14	14

2.04 Analysis of UK life and pensions PVNBP

	Annual premiums	Present value of annual premiums	Capital-isation factor[1]	Single premiums	PVNBP	PVNBP	PVNBP
							Full year
	30.06.08	30.06.08	30.06.08	30.06.08	30.06.08	30.06.07 Restated[2]	31.12.07
	£m	£m		£m	£m	£m	£m
Protection	**110**	**553**	**5.0**	**-**	**553**	563	1,161
Annuities[2]	**-**	**-**	**-**	**1,776**	**1,776**	895	2,045
Total risk	**110**	**553**	**5.0**	**1,776**	**2,329**	1,458	3,206
Unit linked bonds	**-**	**-**	**-**	**749**	**749**	1,355	2,512
Pensions, stakeholder and other non profit	**94**	**368**	**3.9**	**679**	**1,047**	920	1,674
With-profits savings	**57**	**236**	**4.1**	**475**	**711**	739	1,500
Total savings	**151**	**604**	**4.0**	**1,903**	**2,507**	3,014	5,686
Total risk and savings	**261**	**1,157**	**4.4**	**3,679**	**4,836**	4,472	8,892

1. The capitalisation factor is the present value of annual premiums divided by the amount of new annual premiums.
2. With-profits annuity business has been categorised from 'with-profits' to 'annuities' and H1 07 comparatives restated. This business amounted to £15m (H1 07: £33m; FY 07: £47m) of PVNBP and £1m (H1 07: £1m; FY 07: £2m) of new business contribution.

2.05 Analysis of international life and pensions new business

	APE	Contri-bution from new business[1]	Cost of capital	PVNBP	Margin
For the six months ended 30 June 2008	£m	£m	£m	£m	%
USA	**24**	**12**	**3**	**166**	**7.0**
Netherlands	**16**	**2**	**2**	**138**	**1.7**
France	**19**	**2**	**3**	**161**	**1.5**
Total	**59**	**16**	**8**	**465**	**3.5**
For the six months ended 30 June 2007					
USA	22	2	3	149	1.5
Netherlands	14	6	2	124	4.7
France	27	5	5	234	2.2
Total	63	13	10	507	2.6
For the year ended 31 December 2007					
USA	45	23	5	319	7.3
Netherlands	27	6	3	227	2.5
France	42	9	8	369	2.4
Total	114	38	16	915	4.1

1. Contribution from new business is reported after the cost of capital.

2.06 Analysis of international life and pensions new business in local currency

For the six months ended 30 June 2008	APE m	Contribution from new business[1] m	Cost of capital m	PVNBP m	Margin %
USA	**$47**	**$23**	**$6**	**$327**	**7.0**
Netherlands	**€21**	**€3**	**€3**	**€181**	**1.7**
France	**€25**	**€3**	**€4**	**€209**	**1.5**
For the six months ended 30 June 2007					
USA	$44	$4	$7	$293	1.5
Netherlands	€21	€9	€2	€183	4.7
France	€39	€8	€7	€346	2.2
For the year ended 31 December 2007					
USA	$90	$46	$11	$637	7.3
Netherlands	€38	€8	€5	€331	2.5
France	€60	€13	€11	€539	2.4

1. Contribution from new business is reported after the cost of capital.

2.07 Analysis of international life and pensions PVNBP in local currency

	Annual premiums 30.06.08 m	Present value of annual premiums 30.06.08 m	Capitalisation factor 30.06.08	Single premiums 30.06.08 m	PVNBP 30.06.08 m	PVNBP 30.06.07 m	PVNBP Full year 31.12.07 m
USA	**$47**	**$327**	**7.0**	**-**	**$327**	$293	$637
Netherlands	**€9**	**€57**	**6.4**	**€124**	**€181**	€183	€331
France	**€13**	**€90**	**6.9**	**€119**	**€209**	€346	€539

2.08 Analysis of core retail investments new business

	Annual premiums 30.06.08 £m	Single premiums 30.06.08 £m	APE 30.06.08 £m	Annual premiums 30.06.07 Restated[1] £m	Single premiums 30.06.07 Restated[1] £m	APE 30.06.07 Restated[1] £m
UK	**19**	**953**	**115**	11	759	86
France	**-**	**26**	**3**	-	15	2
Total	**19**	**979**	**118**	11	774	88

	Annual premiums Full year 31.12.07 £m	Single premiums Full year 31.12.07 £m	APE Full year 31.12.07 £m
UK	21	1,399	161
France	-	24	2
Total	21	1,423	163

1. UK core retail investments excludes institutional investments in unit trust funds which are disclosed as part of institutional fund management new business in Note 2.11. H1 07 has been restated to reflect this change.

2.09 Analysis of UK risk and savings new business premiums

	Annual premiums 30.06.08 £m	**Single premiums 30.06.08 £m**	**APE 30.06.08 £m**	Annual premiums 30.06.07 Restated[1] £m	Single premiums 30.06.07 Restated[1] £m	APE 30.06.07 Restated[1] £m	APE Full year 31.12.07 £m
Protection							
- Individual	**73**	**-**	**73**	82	-	82	160
- Group	**37**	**-**	**37**	29	-	29	63
Annuities							
- Individual (non profit)	**-**	**384**	**38**	-	480	48	88
- Individual (with-profits)	**-**	**15**	**2**	-	33	3	5
- Bulk purchase	**-**	**1,377**	**138**	-	382	38	112
Total risk	**110**	**1,776**	**288**	111	895	200	428
Non profit savings							
- Unit linked bonds	**-**	**749**	**75**	-	1,355	136	251
- Individual pensions	**94**	**675**	**162**	70	633	133	253
- DWP rebates	**-**	**4**	**-**	-	2	-	-
With-profits savings							
- Bonds	**-**	**112**	**11**	-	48	5	10
- Individual pensions	**56**	**290**	**85**	74	367	111	199
- DWP rebates	**-**	**71**	**7**	-	72	7	12
- Group pensions	**1**	**2**	**1**	6	1	6	7
Total life and pensions savings	**151**	**1,903**	**341**	150	2,478	398	732
Core retail investments[1]							
- Unit trusts	**5**	**698**	**75**	3	456	48	103
- ISAs	**14**	**255**	**40**	8	303	38	58
Total savings	**170**	**2,856**	**456**	161	3,237	484	893
Total risk and savings new business	**280**	**4,632**	**744**	272	4,132	684	1,321

1. Core retail investments excludes institutional investments in unit trust funds which are disclosed as part of institutional fund management new business in Note 2.11. H1 07 has been restated to reflect this change.

2.10 Analysis of total UK APE

	APE 30.06.08 £m	APE 30.06.07 Restated[1] £m	APE Full year 31.12.07 £m
Independent financial advisers	**421**	451	842
Tied	**129**	138	261
Direct	**18**	22	36
Total UK individual[1]	**568**	611	1,139
Individual life and pensions	**453**	525	978
Core retail investments[1]	**115**	86	161
Total UK individual	**568**	611	1,139
Group life and pensions	**176**	73	182
Total UK risk and savings new business premiums	**744**	684	1,321

1. Core retail investments excludes institutional investments in unit trust funds which are disclosed as part of institutional fund management new business in Note 2.11. H1 07 has been restated to reflect this change.

2.11 Analysis of institutional fund management new business

	30.06.08 £m	30.06.07 Restated[1] £m	Full year 31.12.07 £m
Managed pension funds[2]			
Pooled funds	**13,562**	15,568	49,460
Segregated funds	**364**	448	2,603
Total managed funds	**13,926**	16,016	52,063
Other funds[3]	**3,719**	1,005	2,368
Total	**17,645**	17,021	54,431
Attributable to:			
Legal & General Investment Management	**16,224**	16,226	52,622
Legal & General Retail Investments[1]	**1,421**	795	1,809

1. Core retail investments excludes institutional investments in unit trust funds which are disclosed as part of institutional fund management new business in Note 2.11. H1 07 has been restated to reflect this change.
2. New monies from pension fund clients of Legal & General Assurance (Pensions Management) Limited exclude £4.6bn (H1 07: £7.8bn; FY 07: £19.4bn) held through the year on a temporary basis, generally as part of portfolio reconstructions.
3. Includes segregated property, property partnerships, ventures partnerships and institutional clients funds managed by Legal & General Investment Management and institutional investments in unit trust funds managed by Legal & General Retail Investments.

2.12 Legal & General Investment Management new business by investment approach

	30.06.08 %	30.06.07 %	Full year 31.12.07 %
Index equities	**46.6**	67.2	70.9
Index bonds (including index linked funds and cash)	**39.2**	24.9	21.1
Active bonds (including index linked funds and cash)	**6.7**	5.0	4.0
Structured solutions	**7.4**	2.4	3.6
Property	**0.1**	0.5	0.4
Private equity	**-**	-	-
Active equities	**-**	-	-
Total	**100.0**	100.0	100.0

European Embedded Value

Consolidated income statement

Six months ended 30 June 2008

	Notes	**30.06.08 £m**	30.06.07 £m	Full year 31.12.07 £m
From continuing operations				
Life and pensions	3.01/3.02	**564**	551	856
Investment management	3.06	**111**	90	196
General insurance	4.03	**(4)**	(38)	(67)
Other operational income	3.07	**(45)**	(14)	(73)
Operating profit		**626**	589	912
Variation from longer term investment return	3.08	**(538)**	197	116
Effect of economic assumption changes	3.01	**(10)**	(6)	57
Property (expense)/income attributable to minority interests		**(13)**	17	(6)
Corporate restructure		**-**	-	161
Profit from continuing operations before tax attributable to equity holders		**65**	797	1,240
Tax charge on profit from ordinary activities	3.09	**(9)**	(218)	(327)
Effect of UK Budget tax changes		**-**	93	93
Tax impact of corporate restructure		**-**	-	206
Profit from ordinary activities after tax		**56**	672	1,212
Loss/(profit) attributable to minority interests	4.15	**13**	(17)	6
Profit attributable to equity holders of the Company		**69**	655	1,218

	Notes	**p**	p	p
Earnings per share	3.10			
Based on operating profit from continuing operations after tax attributable to equity holders		**7.33**	6.62	9.81
Based on profit attributable to equity holders of the Company		**1.14**	10.08	18.90
Diluted earnings per share	3.10			
Based on operating profit from continuing operations after tax attributable to equity holders		**7.30**	6.59	9.76
Based on profit attributable to equity holders of the Company		**1.13**	10.03	18.80

European Embedded Value

Consolidated balance sheet

As at 30 June 2008

	Notes	At 30.06.08 £m	At 30.06.07 £m	At 31.12.07 £m
Assets				
Investments		**267,674**	235,303	276,438
Long term in-force business asset		**3,331**	2,872	3,041
Other assets		**6,567**	5,743	4,828
		277,572	243,918	284,307
Equity and liabilities				
Shareholders' equity	3.12/3.13	**7,781**	8,365	8,468
Minority interests	4.15	**175**	456	178
Total equity		**7,956**	8,821	8,646
Subordinated borrowings	4.14	**1,444**	1,371	1,461
Unallocated divisible surplus		**1,411**	2,277	1,721
Participating contract liabilities		**17,230**	19,231	18,849
Non-participating contract liabilities		**241,284**	205,771	247,779
Senior borrowings	4.14	**1,742**	1,332	1,327
Other liabilities and provisions		**6,505**	5,115	4,524
		277,572	243,918	284,307

Consolidated statement of recognised income and expense

Six months ended 30 June 2008

	30.06.08 £m	30.06.07 £m	Full year 31.12.07 £m
Exchange differences on translation of overseas operations	**19**	(1)	18
Actuarial gains/(losses) on defined benefit pension schemes	**12**	36	(23)
Actuarial (gains)/losses on defined benefit pension schemes transferred to unallocated divisible surplus	**(8)**	(25)	16
Income recognised directly in equity, net of tax	**23**	10	11
Profit from ordinary activities after tax	**56**	672	1,212
Total recognised income and expense	**79**	682	1,223
Attributable to:			
Minority interests	**(13)**	17	(6)
Equity holders of the Company	**92**	665	1,229

Notes to the Financial Statements

3.01 Profit from continuing operations after tax from covered business

For the six months ended 30 June 2008	Notes	UK[1] £m	International £m	Life and pensions total £m	Investment management[2] £m	Total £m
Contribution from new business after cost of capital		**178**	**16**	**194**	**41**	**235**
Contribution from in-force business:						
- expected return[3]		**149**	**47**	**196**	**18**	**214**
- experience variances	3.03	**4**	**(13)**	**(9)**	**23**	**14**
- operating assumption changes	3.04	**18**	**-**	**18**	**19**	**37**
Development costs		**(21)**	**-**	**(21)**	**(1)**	**(22)**
Contribution from shareholder net worth[4]		**178**	**8**	**186**	**4**	**190**
Operating profit		**506**	**58**	**564**	**104**	**668**
Variation from longer term investment return[5]		**(442)**	**(48)**	**(490)**	**(68)**	**(558)**
Effect of economic assumption changes		**4**	**(16)**	**(12)**	**2**	**(10)**
Profit from continuing operations before tax		**68**	**(6)**	**62**	**38**	**100**
Tax		**(12)**	**3**	**(9)**	**(10)**	**(19)**
Profit from continuing operations after tax		**56**	**(3)**	**53**	**28**	**81**
For the six months ended 30 June 2007						
Contribution from new business after cost of capital		165	13	178	41	219
Contribution from in-force business:						
- expected return		127	40	167	15	182
- experience variances	3.03	74	(6)	68	13	81
- operating assumption changes	3.04	(10)	-	(10)	3	(7)
Development costs		(10)	-	(10)	(1)	(11)
Contribution from shareholder net worth		151	7	158	4	162
Operating profit		497	54	551	75	626
Variation from longer term investment return[5]		191	(15)	176	3	179
Effect of economic assumption changes		(12)	3	(9)	3	(6)
Profit from continuing operations before tax		676	42	718	81	799
Tax		(189)	(13)	(202)	(23)	(225)
Effect of UK Budget tax changes		86	-	86	7	93
Profit from continuing operations after tax		573	29	602	65	667

1. On 31 January 2008 the Group acquired 100% of the shares of Nationwide Life. The results for Nationwide Life have been included in the profit from the covered business with effect from this date, and have contributed £9m to operating profit, and a £1m loss to profit after tax. On 6 May 2008 the Group acquired 100% of the shares of Suffolk Life. The results for Suffolk Life have been included in the profit from the covered business with effect from this date, and have contributed £5m to operating profit, and £4m to profit after tax. Further information on both acquisitions can be found in Note 4.09.
2. For covered business, Investment management comprises managed pension funds and is included in the total Investment management operating profit of £111m (H1 07: £90m; FY 07: £196m).
3. The UK expected return on in-force is based on the unwind of the discount rate for six months on the opening, adjusted base value of in-force (VIF). The opening base VIF was £2,846m in 2008. This is adjusted for the effects of opening model changes (-£27m) to give an adjusted opening base VIF of £2,819m. This is then multiplied by the opening risk discount rate of 7.5% and the result grossed up at the notional attributed tax rate of 28% to give a return of £144m. This is added to the expected return on the in-force of businesses acquired in the year (£5m) to give a total UK expected return of £149m.
4. The 2008 UK contribution from shareholder net worth (SNW) of £178m is based on a mechanical calculation from opening balance sheet values. There are two elements to this calculation:

   The first element reflects the pre-tax smoothed investment return of £136m on SNW assets, including £4m of smoothed investment return on businesses acquired during the year. This is offset by pre-tax corporate expenses charged to shareholders' funds of £7m.
   The second element (£32m) is based on the unwind of the discount rate for six months on the opening contingent loan between Society and LGPL.
   - The opening value of the contingent loan was £614m in 2008.
   - This value is multiplied by the opening risk discount rate of 7.5% and the result grossed up at the notional attributed tax rate of 28% to give a return of £32m.

   Finally, the contribution from SNW includes an adjustment for opening tax and other modelling changes of £17m.
5. UK life and pensions variation from longer term investment return comprises £25m (H1 07: £97m; FY 07: £246m) relating to the VIF business and negative £467m (H1 07: £94m; FY 07: negative £118m) relating to SNW.

Notes to the Financial Statements

3.01 Profit from continuing operations after tax from covered business (continued)

For the year ended 31 December 2007	Notes	UK £m	International £m	Life and pensions total £m	Investment management[1] £m	Total £m
Contribution from new business after cost of capital		321	38	359	109	468
Contribution from in-force business:						
- expected return		262	80	342	30	372
- experience variances	3.03	98	3	101	21	122
- operating assumption changes	3.04	(239)	2	(237)	9	(228)
Development costs		(41)	-	(41)	(2)	(43)
Contribution from shareholder net worth		319	13	332	8	340
Operating profit		720	136	856	175	1,031
Variation from longer term investment return[2]		128	(8)	120	4	124
Effect of economic assumption changes		70	(18)	52	5	57
Corporate restructure		161	-	161	-	161
Profit from continuing operations before tax		1,079	110	1,189	184	1,373
Tax		(287)	(32)	(319)	(52)	(371)
Effect of UK Budget tax changes		86	-	86	7	93
Tax impact of corporate restructure		206	-	206	-	206
Profit from continuing operations after tax		1,084	78	1,162	139	1,301

1. For covered business, Investment management comprises managed pension funds and is included in the total Investment management operating profit of £111m (H1 07: £90m; FY 07: £196m).
2. UK life and pensions variation from longer term investment return comprises £25m (H1 07: £97m; FY 07: £246m) relating to the value of in-force business and negative £467m (H1 07: £94m; FY 07: negative £118m) relating to SNW.

3.02 Life and pensions operating profit

	30.06.08 £m	30.06.07 £m	Full year 31.12.07 £m
UK	**506**	497	720
USA	**26**	23	75
Netherlands	**17**	19	32
France	**15**	12	29
	564	551	856

Notes to the Financial Statements

3.03 Analysis of experience variances

For the six months ended 30 June 2008	UK £m	International £m	Life and pensions total £m	Investment management £m	Total £m
Persistency	**3**	**1**	**4**	**3**	**7**
Mortality/morbidity	**10**	**(1)**	**9**	**-**	**9**
Expenses	**(2)**	**(1)**	**(3)**	**1**	**(2)**
Other	**(7)**	**(12)**	**(19)**	**19**	**-**
	4	**(13)**	**(9)**	**23**	**14**

Full experience investigations are not undertaken at the half-year. A conservative estimate is made of both positive and negative variances.

Investment management other experience variances of £19m relates primarily to the effect of higher than assumed fees and other income.

For the six months ended 30 June 2007	UK £m	International £m	Life and pensions total £m	Investment management £m	Total £m
Persistency	(3)	(2)	(5)	6	1
Mortality/morbidity	5	6	11	-	11
Expenses	(9)	(3)	(12)	(2)	(14)
Other	81	(7)	74	9	83
	74	(6)	68	13	81

UK other experience variances of £81m principally comprise the impact of introducing market referenced fees for the investment management services provided to Society's with-profits business by Legal & General Investment Management (£88m) which are recognised on a look through basis.

Investment management other experience variance of £9m includes the effect of higher than assumed 'other income' and average fees.

For the year ended 31 December 2007	UK £m	International £m	Life and pensions total £m	Investment management £m	Total £m
Persistency	(25)	(1)	(26)	5	(21)
Mortality/morbidity	36	16	52	-	52
Expenses	(19)	1	(18)	(8)	(26)
Other	106	(13)	93	24	117
	98	3	101	21	122

2007 UK other experience variances of £106m principally comprise the impact of introducing market referenced fees for the investment management services provided to Society's with-profits business by Legal & General Investment Management (£83m), which are recognised on a look through basis.

2007 Investment management other experience variances of £24m relates primarily to the effect of higher than assumed 'other income' and average fees.

Notes to the Financial Statements

3.04 Analysis of operating assumption changes

For the six months ended 30 June 2008	UK £m	International £m	Life and pensions total £m	Investment management £m	Total £m
Persistency	**(14)**	**-**	**(14)**	**-**	**(14)**
Mortality/morbidity	**-**	**-**	**-**	**-**	**-**
Expenses	**43**	**-**	**43**	**(8)**	**35**
Other	**(11)**	**-**	**(11)**	**27**	**16**
	18	**-**	**18**	**19**	**37**

Full experience investigations are not undertaken at the half-year. A conservative approach is taken when revising any future operating assumptions.

UK expense assumption changes primarily reflect unit cost efficiencies in the individual protection business.

Investment management other operating assumption changes of £27m primarily comprise the continuation of the ten year lapse rate assumption for all contracts through the extension of the modelling period (£12m), and higher fee and income assumptions (£15m).

For the six months ended 30 June 2007	UK £m	International £m	Life and pensions total £m	Investment management £m	Total £m
Persistency	-	-	-	-	-
Mortality/morbidity	-	-	-	-	-
Expenses	(6)	-	(6)	(9)	(15)
Other	(4)	-	(4)	12	8
	(10)	-	(10)	3	(7)

Investment management other operating assumption changes of £12m comprise the continuation of the ten year lapse assumption for all contracts through the extension of the modelling period.

For the year ended 31 December 2007	UK £m	International £m	Life and pensions total £m	Investment management £m	Total £m
Persistency	(41)	(4)	(45)	-	(45)
Mortality/morbidity	(191)	21	(170)	-	(170)
Expenses	(32)	(4)	(36)	(12)	(48)
Other	25	(11)	14	21	35
	(239)	2	(237)	9	(228)

2007 UK mortality/morbidity operating assumption changes of -£191m relate primarily to the strengthening of assumptions for annuitant mortality (-£269m) offset by a change in assumptions for the proportion of annuitants married (£42m) and improved mortality on individual protection and other projects (£36m).

2007 Investment management other operating assumption changes of £21m primarily arise from the continuation of the ten year lapse assumption for all contracts through the extension of the modelling period.

Notes to the Financial Statements

3.05 Time value of options and guarantees

	At 30.06.08 £m	At 30.06.07 £m	At 31.12.07 £m
Life and pensions			
UK non profit	**-**	4	4
UK with-profits	**1**	1	1
International	**11**	11	13
	12	16	18

3.06 Investment management income statement

	30.06.08 £m	30.06.07 £m	Full year 31.12.07 £m
From continuing operations[1]			
Managed pension funds	**104**	75	175
Property	**4**	5	6
Retail investments	**(1)**	6	8
Other income[2]	**4**	4	7
Operating profit from investment management	**111**	90	196
Variation from longer term investment return	**(68)**	3	4
Effect of economic assumption changes	**2**	3	5
Profit on ordinary activities before tax	**45**	96	205
Tax[3]	**(8)**	(27)	(53)
Profit on ordinary activities after tax	**37**	69	152

Investment management comprises the managed pension funds business on an EEV basis and other investment management business on an IFRS basis.

1. Operating profit excludes £19m (H1 07: £4m (LGPL only); FY 07: £23m) of profits arising from the provision of investment management services at market referenced rates to the covered business. These are reported on a look through basis and as a consequence are included in the UK life and pensions covered business on an EEV basis.
2. Other income excludes the element relating to managed pension funds on the IFRS basis.
3. H1 07 and FY 07 includes the effect of UK Budget tax changes of £7m.

3.07 Other operational income

	30.06.08 £m	30.06.07 £m	Full year 31.12.07 £m
Shareholders' other income			
Investment return on shareholders' equity[1]	**29**	59	51
Interest expense[2]	**(66)**	(55)	(119)
	(37)	4	(68)
Other operations[3]	**(1)**	-	1
Unallocated corporate and development expenses	**(7)**	(18)	(6)
	(45)	(14)	(73)

1. Investment return on shareholders' equity excludes investment return on Society shareholder capital in H1 08 and FY 07, which is included in UK life and pensions.
2. Interest expense relates to average borrowings (excluding non recourse financing) (see Note 4.14).
3. Principally the regulated mortgage network and Cofunds.

Notes to the Financial Statements

3.08 Variation from longer term investment return

	30.06.08 £m	30.06.07 £m	Full year 31.12.07 £m
Total covered business[1]	**(558)**	179	124
Investment management[2]	**-**	(1)	-
General insurance	**(11)**	(9)	(9)
Other operational income	**31**	28	1
	(538)	197	116

1. H1 08 and FY 07 include the variation from longer term investment return on total Society shareholder capital.
2. Non-covered Investment management business.

3.09 Analysis of tax

	Profit/(loss) before tax 30.06.08 £m	**Tax (charge)/ credit 30.06.08 £m**	Profit/(loss) before tax 30.06.07 £m	Tax (charge)/ credit 30.06.07 £m	Profit/(loss) before tax Full year 31.12.07 £m	Tax (charge)/ credit Full year 31.12.07 £m
From continuing operations						
UK life and pensions	**506**	**(152)**	497	(139)	720	(232)
International life and pensions	**58**	**(18)**	54	(16)	136	(40)
	564	**(170)**	551	(155)	856	(272)
Investment management	**111**	**(26)**	90	(26)	196	(57)
General insurance	**(4)**	**1**	(38)	12	(67)	19
Other operational income	**(45)**	**14**	(14)	10	(73)	30
Operating profit	**626**	**(181)**	589	(159)	912	(280)
Variation from longer term investment return	**(538)**	**168**	197	(61)	116	12
Effect of economic assumption changes	**(10)**	**4**	(6)	2	57	(14)
Property (expense)/income attributable to minority interests	**(13)**	**-**	17	-	(6)	-
Corporate restructure	**-**	**-**	-	-	161	(45)
Profit from continuing operations before tax / Tax	**65**	**(9)**	797	(218)	1,240	(327)

Notes to the Financial Statements

3.10 Earnings per share

(a) Earnings per share

	Profit/(loss) before tax 30.06.08 £m	**Tax (charge)/ credit 30.06.08 £m**	**Profit/(loss) after tax 30.06.08 £m**	**Per share 30.06.08 p**	Profit/(loss) before tax 30.06.07 £m	Tax (charge)/ credit 30.06.07 £m	Profit/(loss) after tax 30.06.07 £m	Per share 30.06.07 p
Operating profit from continuing operations	**626**	**(181)**	**445**	**7.33**	589	(159)	430	6.62
Variation from longer term investment return	**(538)**	**168**	**(370)**	**(6.09)**	197	(61)	136	2.09
Effect of economic assumption changes	**(10)**	**4**	**(6)**	**(0.10)**	(6)	2	(4)	(0.06)
Effect of UK Budget tax changes	**-**	**-**	**-**	**-**	-	93	93	1.43
Earnings per share based on profit attributable to equity holders	**78**	**(9)**	**69**	**1.14**	780	(125)	655	10.08

	Profit before tax Full year 31.12.07 £m	Tax (charge)/ credit Full year 31.12.07 £m	Profit after tax Full year 31.12.07 £m	Per share Full year 31.12.07 p
Operating profit from continuing operations	912	(280)	632	9.81
Variation from longer term investment return	116	12	128	1.99
Effect of economic assumption changes	57	(14)	43	0.67
Corporate restructure	161	(45)	116	1.80
Effect of UK Budget tax changes	-	93	93	1.44
Tax impact of corporate restructure	-	206	206	3.19
Earnings per share based on profit attributable to equity holders	1,246	(28)	1,218	18.90

Notes to the Financial Statements

3.10 Earnings per share (continued)

(b) Diluted earnings per share

(i) Based on operating profit from continuing operations after tax

	Profit after tax 30.06.08 £m	Number of shares[1] 30.06.08 m	Per share 30.06.08 p	Profit after tax 30.06.07 £m	Number of shares[1] 30.06.07 m	Per share 30.06.07 p
Operating profit from continuing operations after tax	**445**	**6,073**	**7.33**	430	6,493	6.62
Net shares under options allocable for no further consideration	**-**	**22**	**(0.03)**	-	37	(0.03)
Diluted earnings per share	**445**	**6,095**	**7.30**	430	6,530	6.59

	Profit after tax Full year 31.12.07 £m	Number of shares[1] Full year 31.12.07 m	Per share Full year 31.12.07 p
Operating profit from continuing operations after tax	632	6,444	9.81
Net shares under options allocable for no further consideration	-	34	(0.05)
Diluted earnings per share	632	6,478	9.76

(ii) Based on profit attributable to equity holders of the Company

	Profit after tax 30.06.08 £m	Number of shares[1] 30.06.08 m	Per share 30.06.08 p	Profit after tax 30.06.07 £m	Number of shares[1] 30.06.07 m	Per share 30.06.07 p
Profit attributable to equity holders of the Company	**69**	**6,073**	**1.14**	655	6,493	10.08
Net shares under options allocable for no further consideration	**-**	**22**	**(0.01)**	-	37	(0.05)
Diluted earnings per share	**69**	**6,095**	**1.13**	655	6,530	10.03

	Profit after tax Full year 31.12.07 £m	Number of shares[1] Full year 31.12.07 m	Per share Full year 31.12.07 p
Profit attributable to equity holders of the Company	1,218	6,444	18.90
Net shares under options allocable for no further consideration	-	34	(0.10)
Diluted earnings per share	1,218	6,478	18.80

1. Weighted average number of shares.

European Embedded Value

Notes to the Financial Statements

3.11 Embedded value reconciliation

As at 30 June 2008	Notes	UK value of in-force £m	UK shareholder net worth[1] £m	UK life and pensions £m	International life and pensions £m	Life and pensions total £m	Investment management[2] £m	Total £m
At 1 January								
Value of in-force business (VIF)		2,846	-	2,846	782	3,628	340	3,968
Shareholder net worth (SNW)		-	4,447	4,447	319	4,766	222	4,988
		2,846	4,447	7,293	1,101	8,394	562	8,956
Exchange rate movements		-	-	-	34	34	-	34
Opening adjustments		(27)	27	-	-	-	-	-
		2,819	4,474	7,293	1,135	8,428	562	8,990
Profit for the period:								
- New business contribution		334	(206)	128				
- Expected return on VIF		107	-	107				
- Expected return - transfer to SNW		(217)	217	-				
- Less: Movement in contingent loan[3]		(41)	41	-				
- Experience variances		41	(24)	17				
- Operating assumption changes		19	(9)	10				
- Development costs		-	(16)	(16)				
- Expected return on SNW		-	108	108				
- Investment variances		79	(380)	(301)				
- Economic assumption changes		(29)	32	3				
Profit for the period[4]		293	(237)	56	(3)	53	28	81
Capital movements[5]		-	(252)	(252)	-	(252)	-	(252)
Embedded value of businesses acquired[6]		143	156	299	-	299	-	299
Distributions:								
- With-profits transfer		(43)	43	-				
- Dividend to Group		-	-	-				
Distributions		(43)	43	-	(3)	(3)	-	(3)
Other reserve movements including pension deficit		-	(4)	(4)	-	(4)	-	(4)
Transfer to non-covered business[7]		-	(14)	(14)	-	(14)	-	(14)
Embedded value	3.12/3.13	3,212	4,166	7,378	1,129	8,507	590	9,097
Represented by:								
Non profit		2,531		2,531				
With-profits		681		681				
Value of in-force business		3,212	-	3,212	838	4,050	323	4,373
Shareholder net worth		-	4,166	4,166	291	4,457	267	4,724

1. Following the long term fund restructure in 2007, the shareholder net worth (SNW) of the UK life and pensions business was redefined to include the Society shareholder capital held outside the long term fund. The pre-tax smoothed investment return, net of expenses, on these assets of £42m (FY 07: £40m) is included in SNW. The pre-tax smoothed investment return, net of expenses, on these assets of £18m in H1 07 was included in Other operational income.
2. Investment management covered business comprises managed pension funds and is included in the total Investment management shareholders' equity of £792m.
3. On an EEV basis, the contingent loan (between Shareholder capital within the LTF and LGPL) is modelled as an asset of SNW. As profits from the in-force business of LGPL are earned, cash is realised and transferred to SNW and the contingent loan asset is reduced accordingly. The expected movement includes both repayment of capital relating to in-force business and drawdown of loan relating to new business written in the period.
4. Included in the profit for the period is an inter-fund transfer from Shareholder capital within the LTF (included in SNW) to non profit (included in VIF) of £44m.
5. Capital movements comprise the £252m cost of acquiring Nationwide Life. The acquisition of Suffolk Life was funded from Corporate funds within the non-covered business (£63m). Further information on both acquisitions can be found in Note 4.09.
6. The embedded value of businesses acquired on the date of acquisition comprises £235m from the acquisition of Nationwide Life on 31 January 2008 and £64m from the acquisition of Suffolk Life on 6 May 2008. Further information relating to the businesses acquired can be found in Note 4.09.
7. The transfer to non-covered business represents the IFRS profits arising in the period from the provision of investment management services by Legal & General Investment Management to the UK life and pensions covered business, which have been included in the operating profit of the covered business on a look through basis.

Notes to the Financial Statements

3.11 Embedded value reconciliation (continued)

As at 30 June 2007	Notes	UK value of in-force £m	UK shareholder net worth[1] £m	UK life and pensions £m	International life and pensions £m	Life and pensions total £m	Investment manage-ment[2] £m	Total £m
At 1 January								
Value of in-force business (VIF)		2,428	-	2,428	652	3,080	281	3,361
Shareholder net worth (SNW)		-	3,828	3,828	261	4,089	194	4,283
		2,428	3,828	6,256	913	7,169	475	7,644
Exchange rate movements		-	-	-	(18)	(18)	-	(18)
		2,428	3,828	6,256	895	7,151	475	7,626
Profit for the period:								
- New business contribution		237	(118)	119				
- Expected return on VIF		91	-	91				
- Expected return - transfer to SNW		(172)	172	-				
- Less: expected movement in contingent loan[3]		29	(29)	-				
- Experience variances		143	(99)	44				
- Operating assumption changes		3	(12)	(9)				
- Development costs		-	(8)	(8)				
- Expected return on SNW		-	121	121				
- Investment variances		24	114	138				
- Economic assumption changes		(11)	2	(9)				
- Effect of UK Budget tax changes		48	38	86				
Profit for the period[4]		392	181	573	29	602	65	667
Capital movements[5]		-	-	-	73	73	-	73
Distributions:								
- Non profit	5.04 (a)		(61)	(61)				
- With-profits		(35)		(35)				
- Shareholder net worth	5.04 (a)		(78)	(78)				
Distributions		(35)	(139)	(174)	-	(174)	-	(174)
Other reserve movements including pension deficit		-	23	23	-	23	-	23
Transfer to non-covered business[6]		-	(3)	(3)	-	(3)	-	(3)
Embedded value	3.12/3.13	2,785	3,890	6,675	997	7,672	540	8,212
Represented by:								
Non profit		1,902		1,902				
With-profits		883		883				
Value of in-force business		2,785	-	2,785	707	3,492	310	3,802
Shareholder net worth		-	3,890	3,890	290	4,180	230	4,410

1. At HY07 UK SNW represented the amounts in the Society long term fund and LGPL shareholder capital which are regarded as either required capital or free surplus held within the covered business.
2. Investment management covered business comprises managed pension funds and is included in the total Investment management shareholders' equity of £671m.
3. On an EEV basis, the contingent loan (between SRC and LGPL) is modelled as an asset of SNW. As profits from the in-force business of LGPL are earned, cash is realised and transferred to SNW and the contingent loan asset is reduced accordingly. The expected movement includes both repayment of capital relating to in-force business and drawdown of loan relating to new business written in the period.
4. Included in the profit for the period is an inter-fund transfer from SRC (included in SNW) to non profit (included in VIF) of £35m.
5. Capital movements comprise £46m ($90m) of capital injected into the USA operation and £27m (€40m) injected into the French operation.
6. The transfer to non-covered business represents the IFRS profits arising in the period from the provision of investment management services by Legal & General Investment Management to the UK life and pensions covered business, which have been included in the operating profit of the covered business on a look through basis.

Notes to the Financial Statements

3.11 Embedded value reconciliation (continued)

As at 31 December 2007	Notes	UK value of in-force £m	UK shareholder net worth £m	UK life and pensions £m	International life and pensions £m	Life and pensions total £m	Investment management[1] £m	Total £m
At 1 January								
Value of in-force business (VIF)		2,428	-	2,428	652	3,080	281	3,361
Shareholder net worth (SNW)		-	3,828	3,828	261	4,089	194	4,283
		2,428	3,828	6,256	913	7,169	475	7,644
Exchange rate movements		-	-	-	28	28	-	28
		2,428	3,828	6,256	941	7,197	475	7,672
Profit for the period:								
- New business contribution		510	(279)	231				
- Expected return on VIF		189	-	189				
- Expected return - transfer to SNW		(331)	331	-				
- Movement in contingent loan[2]		(108)	108	-				
- Experience variances		64	7	71				
- Operating assumption changes		(23)	(179)	(202)				
- Development costs		-	(34)	(34)				
- Expected return on SNW		-	233	233				
- Investment variances		195	(57)	138				
- Economic assumption changes		(97)	147	50				
- Effect of UK Budget tax changes		48	38	86				
- Corporate restructure		45	71	116				
- Tax impact of Corporate restructure		-	206	206				
Profit for the period[3]		492	592	1,084	78	1,162	139	1,301
Capital movements[4]		-	(590)	(590)	84	(506)	-	(506)
Other capital movements		-	1,307	1,307	-	1,307	-	1,307
Distributions:								
- With-profits transfer		(74)	74	-				
- Dividend to Group		-	(728)	(728)				
Distributions		(74)	(654)	(728)	(2)	(730)	(52)	(782)
Other reserve movements including pension deficit		-	(20)	(20)	-	(20)	-	(20)
Transfer to non-covered business[5]		-	(16)	(16)	-	(16)	-	(16)
Embedded value	3.12/3.13	2,846	4,447	7,293	1,101	8,394	562	8,956
Represented by:								
Non profit		2,056		2,056				
With-profits		790		790				
Value of in-force business		2,846	-	2,846	782	3,628	340	3,968
Shareholder net worth		-	4,447	4,447	319	4,766	222	4,988

1. Investment management covered business comprises managed pension funds and is included in the total Investment management shareholders' equity of £689m.
2. On an EEV basis, the contingent loan (between Society and LGPL) is modelled as an asset of SNW. As profits from the in-force business of LGPL are earned, cash is realised and transferred to SNW and the contingent loan asset is reduced accordingly. The movement includes both the repayment of capital relating to in-force business and drawdown of loan relating to new business written in the period.
3. Included in the profit for the period is an inter-fund transfer from non profit (included in VIF) to SRC (included in SNW) of £60m.
4. Capital movements comprise the repayment of £602m of intra-group subordinated debt, offset by £57m ($114m) of capital injected into the USA and £39m injected into Legal & General International (Ireland) from Group, together with £27m (€40m) injected into France from Society.
5. The transfer to non-covered business represents the IFRS profits arising in the period from the provision of investment management services by Legal & General Investment Management to the UK life and pensions covered business, which have been included in the operating profit of the covered business on the look through basis.

Notes to the Financial Statements

3.12 Analysis of shareholders' equity

As at 30 June 2008	UK[1] £m	International £m	Life and pensions total £m	Investment management[2] £m	Other operations[3] £m	Total £m
Analysed as:						
IFRS basis shareholders' equity	**4,824**	**900**	**5,724**	**267**	**(1,316)**	**4,675**
Additional retained profit on an EEV basis	**2,554**	**229**	**2,783**	**323**	**-**	**3,106**
Shareholders' equity on an EEV basis	**7,378**	**1,129**	**8,507**	**590**	**(1,316)**	**7,781**
Comprising:						
Shareholder net worth						
- Free surplus	**2,828**	**90**	**2,918**	**243**		
- Required capital to cover solvency margin	**1,338**	**201**	**1,539**	**24**		
Value of in-force						
- Value of in-force business	**3,332**	**903**	**4,235**	**331**		
- Cost of capital	**(120)**	**(65)**	**(185)**	**(8)**		

As at 30 June 2007	UK[1] £m	International £m	Life and pensions total £m	Investment management[2] £m	Other operations[3] £m	Total £m
Analysed as:						
IFRS basis shareholders' equity	4,329	803	5,132	230	153	5,515
Additional retained profit on an EEV basis	2,346	194	2,540	310	-	2,850
Shareholders' equity on an EEV basis	6,675	997	7,672	540	153	8,365
Comprising:						
Shareholder net worth						
- Free surplus	691	106	797	206		
- Required capital to cover solvency margin	1,402	184	1,586	24		
- Other required capital	1,797	-	1,797	-		
Value of in-force						
- Value of in-force business	2,926	759	3,685	316		
- Cost of capital	(141)	(52)	(193)	(6)		

As at 31 December 2007	UK[1] £m	International £m	Life and pensions total £m	Investment management[2] £m	Other operations[3] £m	Total £m
Analysed as:						
IFRS basis shareholders' equity	4,832	880	5,712	222	(488)	5,446
Additional retained profit on an EEV basis	2,461	221	2,682	340	-	3,022
Shareholders' equity on an EEV basis	7,293	1,101	8,394	562	(488)	8,468
Comprising:						
Shareholder net worth						
- Free surplus	3,249	140	3,389	198		
- Required capital to cover solvency margin	1,198	179	1,377	24		
Value of in-force						
- Value of in-force business	2,944	840	3,784	347		
- Cost of capital	(98)	(58)	(156)	(7)		

Free surplus is the value of any capital allocated to, but not required to support, the in-force covered business at the valuation date.

1. H1 08 and FY 07 include total Society shareholder capital.
2. Investment management comprises managed pension funds and is included in the total Investment management shareholders' equity of £792m (H1 07: £671m, FY 07: £689m).
3. Other Investment management businesses included on an IFRS basis at £202m (H1 07: £131m; FY 07: £127m) are included in Other operations.

Notes to the Financial Statements

3.13 Segmental analysis of shareholders' equity

	Covered business EEV basis At 30.06.08 £m	**Other business IFRS basis At 30.06.08 £m**	**Total At 30.06.08 £m**	Covered business EEV basis At 30.06.07 £m	Other business IFRS basis At 30.06.07 £m	Total At 30.06.07 £m
UK life and pensions	**7,378**	**-**	**7,378**	6,675	501	7,176
Embedded value of international life and pensions business						
- USA	**647**	**-**	**647**	595	-	595
- Netherlands	**286**	**-**	**286**	236	-	236
- France	**196**	**-**	**196**	166	-	166
	8,507	**-**	**8,507**	7,672	501	8,173
Investment management	**590**	**202**	**792**	540	131	671
	9,097	**202**	**9,299**	8,212	632	8,844
General insurance	**-**	**98**	**98**	-	136	136
Corporate funds[1]	**-**	**(1,616)**	**(1,616)**	-	(615)	(615)
	9,097	**(1,316)**	**7,781**	8,212	153	8,365

	Covered business EEV basis At 31.12.07 £m	Other business IFRS basis At 31.12.07 £m	Total At 31.12.07 £m
UK life and pensions	7,293	-	7,293
Embedded value of international life and pensions business			
- USA	645	-	645
- Netherlands	270	-	270
- France	186	-	186
	8,394	-	8,394
Investment management	562	127	689
	8,956	127	9,083
General insurance	-	114	114
Corporate funds[1]	-	(729)	(729)
	8,956	(488)	8,468

Further analysis of the covered business is included in Note 3.12.

	30.06.08 £m	30.06.07 £m	Full year 31.12.07 £m
Movement			
As at 1 January	**8,468**	7,931	7,931
Total recognised income and expense	**92**	665	1,229
Issue of share capital	**7**	3	4
Share buyback	**(408)**	-	(320)
Closed period share buyback reserve	**(100)**	-	-
Net movements in employee scheme shares	**(9)**	(9)	1
Dividend distributions to equity holders of the Company during the period	**(248)**	(248)	(369)
Other movements including pension deficit	**(21)**	23	(8)
As at 30 June / 31 December	**7,781**	8,365	8,468

1. Corporate funds includes general corporate assets held at Group level including those used to support the ongoing share buyback programme, subordinated borrowings and senior borrowings.

Notes to the Financial Statements

3.14 Reconciliation of shareholder net worth

	UK life and pensions At 30.06.08 £m	Total At 30.06.08 £m	UK life and pensions At 30.06.07 £m	Total At 30.06.07 £m	UK life and pensions At 31.12.07 £m	Total At 31.12.07 £m
SNW of long term operations (IFRS basis)	4,824	5,991	3,285	5,362	4,832	5,934
Other assets (IFRS basis)	-	(1,316)	1,044	153	-	(488)
Shareholders' equity on the IFRS basis	4,824	4,675	4,329	5,515	4,832	5,446
Purchased interests in long term business	(183)	(198)	(6)	(24)	(5)	(19)
1996 Sub-fund	-	-	326	326	-	-
Deferred acquisition costs/deferred income liabilities	(221)	(871)	(127)	(703)	(139)	(751)
Deferred tax[1]	(467)	(257)	(642)	(460)	(363)	(172)
Other[2]	213	59	10	(91)	122	(4)
Shareholder net worth on the EEV basis	4,166	3,408	3,890	4,563	4,447	4,500

1. Deferred tax represents all tax which is expected to be paid under current legislation.
2. Other relates primarily to the different treatment of sterling reserves, other long term reserves and the non profit result of LGPL under EEV compared with IFRS.

3.15 Assumptions

UK assumptions

The assumed future pre-tax returns on fixed interest and RPI linked securities are set by reference to redemption yields available in the market at the end of the reporting period.

For annuities, separate returns are calculated for business sold before or after December 2006. This reflects a change in investment policy applicable to the 2007 and later business, which has the aim of increasing the expected return whilst not increasing the level of asset risk compared with the historic policy. This has been achieved through improved investment efficiency and increased diversification through use of additional asset classes. The calculated return takes account of derivatives and other credit instruments in the investment portfolio. From the second half of 2007, some aspects of this revised strategy were also applied to the assets backing the in-force annuity business.

Where interest rate swaps are used to reduce risk, it is assumed that these swaps will be sold before expiry and the proceeds reinvested in corporate bonds with a redemption yield 0.70% p.a. (0.40% p.a. at 30.06.07 and 0.50% p.a. at 31.12.07) greater than the swap rate at that time.

The returns on fixed and index-linked securities are calculated net of an allowance for default risk which takes account of the outstanding term of the securities. The allowances for default risk are set separately for the asset portfolios supporting fixed and index-linked securities, and average 0.12% p.a. and 0.09% p.a. respectively across the portfolios as a whole (0.11% p.a. and 0.10% p.a. at 31.12.07).

Economic assumptions

	30.06.08 % p.a.	30.06.07 % p.a.	31.12.07 % p.a.	31.12.06 % p.a.
Equity risk premium	**3.0**	3.0	3.0	3.0
Property risk premium	**2.0**	2.0	2.0	2.0
Investment return				
- Gilts:				
- Fixed interest	**4.9**	5.1	4.5	4.6
- RPI linked	**5.1**	5.6	4.5	4.7
- Non gilts:				
- Fixed interest	**5.4 – 7.1**	5.6 – 6.0	4.9 – 6.1	4.9 – 5.3
- RPI linked	**5.8 – 6.8**	5.3 – 5.9	4.9 – 5.3	4.6 – 5.1
- Equities	**7.9**	8.1	7.5	7.6
- Property	**6.9**	7.1	6.5	6.6
Risk margin	**3.0**	3.0	3.0	3.0
Risk discount rate (net of tax)	**7.9**	8.1	7.5	7.6
Inflation				
- Expenses/earnings	**5.2**	4.5	4.4	4.2
- Indexation	**4.2**	3.5	3.4	3.2

UK life and pensions

i. Assets are valued at market value.

ii. Future bonus rates have been set at levels which would fully utilise the assets supporting the policyholders' portion of the with-profits business. The proportion of profits derived from with-profits business allocated to shareholders has been assumed to be 10% throughout.

iii. The value of in-force business reflects the cost, including administration expenses, of providing for benefit enhancement or compensation in relation to certain products.

iv. Other actuarial assumptions have been set at levels commensurate with recent operating experience, including those for mortality, morbidity, persistency and maintenance expenses (excluding the development costs referred to below). These are normally reviewed annually.

3.15 Assumptions

An allowance is made for future improvements in annuitant mortality based on experience and externally published data. At 30 June 2008 and 31 December 2007, male annuitant mortality was assumed to improve in accordance with CMI Working Paper 1, projection MC, with a minimum annual improvement of 1.5% for future experience, and 2.0% for statutory reserving. Female annuitant mortality is assumed to improve in accordance with 75% of projection MC, with a minimum annual improvement of 1.0% for future experience and 1.5% for statutory reserving. In each case, the minimum annual improvement is assumed to reduce linearly after age 89 to zero at age 120.

On this basis, the best estimate of the expectation of life for a new 65 year old Male CPA annuitant is 25.1 years. The expectation of life on the regulatory reserving basis is 26.2 years.

As at 30 June 2007, male annuitant mortality was assumed to improve in accordance with CMI Working Paper 1, projection MC for future experience with a minimum annual improvement of 0.6%, and the average of projections MC and LC for statutory reserving with a minimum annual improvement of 0.8%. Female annuitant mortality was assumed to improve in accordance with the MC projection from CMI Working Paper 1 for statutory reserving and at 70% of this rate for future experience, with the same underpinning minima as for males.

On this basis, the best estimate of the expectation of life for a new 65 year old Male CPA annuitant was 23.8 years. The expectation of life on the regulatory reserving basis was 25.1 years.

v. Development costs relate to investment in strategic systems and development capability.

UK managed pension funds

vi. All contracts are assumed to lapse over a 10 year period. Fees are projected on a basis which reflects current charges or, if less, anticipated charges. New business consists of monies received from new clients and incremental receipts from existing clients, and excludes the roll-up of the investment returns. Development costs relate to strategic systems.

International

vii. Key assumptions:

	30.06.08	30.06.07	31.12.07	31.12.06
	% p.a.	% p.a.	% p.a.	% p.a.
USA				
Reinvestment rate	**5.6**	5.8	5.4	5.4
Risk margin	**3.0**	3.0	3.0	3.0
Risk discount rate (net of tax)	**7.1**	8.1	7.1	7.8
Europe				
Government bond return	**4.8**	4.6	4.4	4.0
Risk margin	**3.0**	3.0	3.0	3.0
Risk discount rate (net of tax)	**7.8**	7.6	7.4	7.0

viii. Other actuarial assumptions have been set at levels commensurate with recent operating experience, including those for mortality, morbidity, persistency and maintenance expenses.

Tax

ix. EEV results are computed on an after tax basis and are grossed up by the notional attributed tax for presentation in the income statement. The tax rate used for grossing up is the corporate tax rate in the territory concerned which for the UK was 28% (H1 07: 28%; FY 07: 28%). For the UK, investment return on Society shareholder capital, excluding the contingent loan, is calculated on a pre-tax basis.

Stochastic calculations

x. The time value of options and guarantees is calculated using economic and non-economic assumptions consistent with those used for the deterministic embedded value calculations.

This section describes the models used to generate future investment simulations, and gives some sample statistics for the simulations used. A single model has been used for UK and international business, with different economic assumptions for each territory.

Government nominal interest rates are generated using a LIBOR Money Market Model projecting full yield curves at annual intervals. The model provides a good fit to the initial yield curve.

The total annual returns on equities and property are calculated as the return on 1 year bonds plus an excess return. The excess return is assumed to have a lognormal distribution. Corporate bonds are modelled separately by credit rating using stochastic credit spreads over the risk-free rates, transition matrices and default recovery rates. The real yield curve model assumes that the real short rate follows a mean-reverting process subject to two normally distributed random shocks.

3.15 Assumptions

Asset classes

The significant asset classes are for:

- UK with-profits business – equities, property and fixed rate bonds of various durations;
- UK annuity business – fixed rate and index-linked bonds of various durations; and
- International business – fixed rate bonds of various durations

Summary statistics

The following table sets out means and standard deviations (StDev) of future returns as at 30 June 2008 for the most significant asset classes. Correlations between asset classes have been set based on an internal assessment of historical data.

	10-year return		20-year return	
	Mean[1]	StDev[2]	Mean[1]	StDev[2]
UK Business (Sterling)				
Government bonds	5.3%	3.4%	5.3%	3.4%
Corporate bonds	7.1%	3.7%	6.8%	3.7%
Property (excess returns)	2.0%	14.6%	2.0%	15.0%
Equities (excess returns)	3.1%	20.2%	3.0%	19.9%
European Business (Euro)				
Long Government bonds[3]	4.9	4.5	5.2	8.4
Short Government bonds[4]	4.9	5.0	5.2	5.1
US Business (US Dollar)				
Long Government bonds[3]	4.6	5.9	5.4	6.0

1. Other than for equities and property, means are calculated as the excess of 1 year bond asset return means plus 1 year bond means. Means for the equities and property excess returns are calculated as the excess of 1 year bond asset return means. Each mean is derived by calculating the accumulated value of a unit asset invested to time n years for each simulation, averaging the resultant values across all simulations, then calculating the equivalent annual return required to give this average accumulation (by taking the nth root of the average accumulation and deducting 1).
2. Standard deviations are calculated by accumulating a unit investment for n years in each simulation, taking the natural logarithm of the result, calculating the variance of this statistic, dividing by n and taking the square root. Equities and property values use excess returns. The results are comparable to implied volatilities quoted in investment markets.
3. Long term bonds are defined to be 10-year par-coupon bonds.
4. Short term bonds are defined to be 1 year duration bonds.

Risk discount rate

The risk discount rate is scenario-dependent within the stochastic projection. It is calculated by applying the deterministic risk margin to the risk free rate in each stochastic projection.

Sensitivity calculations

In accordance with the dispensation within the CFO guidelines, a full sensitivity analysis is provided annually.

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Operating profit income statement

Six months ended 30 June 2008

	Notes	30.06.08 £m	30.06.07 Restated £m	Full year 31.12.07 £m
From continuing operations				
Life and pensions	4.01	**347**	383	643
Investment management	4.02	**93**	73	155
General insurance	4.03	**(4)**	(38)	(67)
Other operational income	4.04	**(45)**	(32)	(73)
Operating profit		**391**	386	658
Variation from longer term investment return	4.05	**(422)**	96	(90)
Property (expense)/income attributable to minority interests	4.15	**(13)**	17	(6)
Release of 1996 Sub-fund		**-**	-	321
(Loss)/profit from continuing operations before tax attributable to equity holders		**(44)**	499	883
Tax attributable to equity holders	4.06	**17**	(170)	(165)
(Loss)/profit from ordinary activities after tax		**(27)**	329	718
Loss/(profit) attributable to minority interests	4.15	**13**	(17)	6
(Loss)/profit attributable to equity holders		**(14)**	312	724

	Notes	p	p	p
Earnings per share	4.07			
Based on operating profit from continuing operations after tax attributable to equity holders		**4.61**	3.93	7.17
Based on (loss)/profit attributable to equity holders of the Company		**(0.23)**	4.80	11.24
Diluted earnings per share	4.07			
Based on operating profit from continuing operations after tax attributable to equity holders		**4.59**	3.91	7.13
Based on (loss)/profit attributable to equity holders of the Company		**(0.23)**	4.77	11.18

This supplementary operating profit information provides further analysis of the results reported under IFRS and we believe gives shareholders a better understanding of the underlying performance of the business.

IFRS supplementary operating profit is one of the Group's key performance indicators and was restated in the 2007 Annual Report and Accounts to reflect changes in the Group's structure. Operating profit for UK life and pensions business on the IFRS basis is defined to include the net capital released from non profit business and a smoothed investment return on total Society shareholders' assets held both within and outside of Society's long term fund. The change in the definition of UK life and pensions operating profit since the 2007 interim financial statements had the effect of increasing H1 07 reported operating profit by £44m. Profit before tax and shareholders' equity were unaffected by this change.

Investment return on non profit business is calculated on a smoothed basis using EEV assumptions applied to the average balance of Society shareholder capital invested assets (including interest bearing intra-group balances) calculated on a quarterly basis.

Operating profit also includes a longer term investment return on the shareholders' funds in our General insurance, Investment management and Netherlands' operations.

Consolidated income statement

Six months ended 30 June 2008

	Notes	30.06.08 £m	30.06.07 £m	Full year 31.12.07 £m
Revenue				
Gross written premiums	4.08	**3,301**	2,289	4,793
Outward reinsurance premiums		**(269)**	(255)	(517)
Net change in provision for unearned premiums		**(1)**	(5)	7
Net premiums earned		**3,031**	2,029	4,283
Fees from fund management and investment contracts		**358**	313	640
Investment return		**(17,196)**	6,588	13,225
Operational income		**22**	28	54
Total revenue	4.10	**(13,785)**	8,958	18,202
Expenses				
Claims and change in insurance liabilities		**1,748**	1,409	4,467
Reinsurance recoveries		**(370)**	(232)	(345)
Net claims and change in insurance liabilities		**1,378**	1,177	4,122
Change in provisions for investment contract liabilities		**(15,434)**	6,325	11,999
Acquisition costs		**354**	346	848
Finance costs		**189**	80	214
Other expenses		**425**	431	662
Transfers (from)/to unallocated divisible surplus[1]		**(313)**	74	(438)
Total expenses	4.10	**(13,401)**	8,433	17,407
(Loss)/profit before income tax		**(384)**	525	795
Income tax attributable to policyholder returns		**340**	(26)	88
(Loss)/profit from continuing operations before income tax attributable to equity holders		**(44)**	499	883
Total income tax credit/(expense)		**357**	(196)	(77)
Income tax attributable to policyholder returns		**(340)**	26	(88)
Income tax attributable to equity holders		**17**	(170)	(165)
(Loss)/profit from ordinary activities after income tax	4.10	**(27)**	329	718
Attributable to:				
Minority interests		**(13)**	17	(6)
Equity holders of the Company		**(14)**	312	724
Dividend distributions to equity holders of the Company during the period		**248**	248	369
Dividend distributions to equity holders of the Company proposed after the period end		**115**	122	247
		p	p	p
Earnings per share	4.07			
Based on (loss)/profit from continuing operations after income tax attributable to equity holders		**(0.23)**	4.80	11.24
Diluted earnings per share	4.07			
Based on (loss)/profit from continuing operations after income tax attributable to equity holders		**(0.23)**	4.77	11.18

1. Includes £321m release of 1996 Sub-fund in full year 2007.

Consolidated balance sheet

As at 30 June 2008

	Notes	**At 30.06.08 £m**	At 30.06.07 £m	At 31.12.07 £m
Assets				
Investment in associates		**13**	16	14
Plant and equipment		**78**	78	79
Investment property		**5,595**	6,992	5,969
Financial investments	4.11	**251,247**	221,860	261,718
Reinsurers' share of contract liabilities		**1,981**	1,642	1,530
Purchased interest in long term businesses		**225**	22	19
Deferred acquisition costs		**1,795**	1,587	1,696
Deferred tax asset		**276**	-	-
Income tax recoverable		**5**	-	4
Other assets		**2,432**	2,436	1,519
Cash and cash equivalents		**10,819**	6,435	8,737
Total assets	4.10	**274,466**	241,068	281,285
Equity				
Share capital		**149**	163	157
Share premium account		**934**	926	927
Employee scheme shares		**(46)**	(42)	(42)
Other reserves[1]		**(65)**	44	59
Retained earnings		**3,703**	4,424	4,345
Capital and reserves attributable to equity holders of the Company	4.13	**4,675**	5,515	5,446
Minority interests	4.15	**175**	456	178
Total equity	4.16	**4,850**	5,971	5,624
Liabilities				
Subordinated borrowings	4.14	**1,444**	1,371	1,461
Participating insurance contracts		**10,386**	12,251	11,663
Participating investment contracts		**7,099**	7,393	7,462
Unallocated divisible surplus		**1,411**	2,277	1,721
Value of in-force non-participating contracts		**(255)**	(413)	(276)
Participating contract liabilities		**18,641**	21,508	20,570
Non-participating insurance contracts		**24,879**	21,330	22,873
Non-participating investment contracts		**216,405**	184,441	224,906
Non-participating contract liabilities		**241,284**	205,771	247,779
Senior borrowings	4.14	**1,742**	1,332	1,327
Provisions		**583**	485	595
Deferred income liabilities		**491**	461	493
Deferred tax liabilities		**197**	595	296
Income tax liabilities		**18**	51	113
Other liabilities		**4,292**	2,652	2,115
Net asset value attributable to unit holders		**924**	871	912
Total liabilities	4.10	**269,616**	235,097	275,661
Total equity and liabilities		**274,466**	241,068	281,285

1. On 30 June 2008 Legal & General Group Plc entered into an irrevocable agreement to acquire up to £100m of ordinary shares during the closed period from 1 July 2008 to 4 August 2008. Accordingly, a liability of £100m has been recorded in the balance sheet with a corresponding amount in equity. This balance will be eliminated on expiry of the contract.

Consolidated statement of recognised income and expense

Six months ended 30 June 2008

	30.06.08 £m	30.06.07 £m	Full year 31.12.07 £m
Exchange differences on translation of overseas operations	**8**	(1)	4
Actuarial gains/(losses) on defined benefit pension schemes	**20**	62	(40)
Actuarial (gains)/losses on defined benefit pension schemes transferred to unallocated divisible surplus	**(8)**	(25)	16
Net change in financial investments designated as available-for-sale	**(19)**	(4)	1
Income/(expense) recognised directly in equity, net of tax	**1**	32	(19)
(Loss)/profit from ordinary activities after income tax	**(27)**	329	718
Total recognised income and expense	**(26)**	361	699
Attributable to:			
Minority interests	**(13)**	17	(6)
Equity holders of the Company	**(13)**	344	705

Consolidated cash flow statement

For the six months ended 30 June 2008

	Notes	**30.06.08 £m**	30.06.07 £m	Full year 31.12.07 £m
Cash flows from operating activities				
(Loss)/profit from ordinary activities after income tax		**(27)**	329	718
Adjustments for non cash movements in net loss/profit for the period				
Realised and unrealised losses/(gains) on financial investments and investment properties		**22,801**	(2,448)	(4,862)
Investment income		**(5,304)**	(3,939)	(7,797)
Interest expense		**189**	80	214
Income tax (receivable)/payable		**(357)**	196	77
Other adjustments		**38**	21	46
Net decrease/(increase) in operational assets				
Investments designated as held for trading or fair value through profit or loss		**167**	(5,372)	(8,322)
Investments designated as available-for-sale		**(44)**	29	(98)
Other assets		**(950)**	(821)	(230)
Net (decrease)/increase in operational liabilities				
Insurance contracts		**(579)**	(641)	152
Transfer to unallocated divisible surplus		**(305)**	99	(455)
Investment contracts		**(20,186)**	9,559	17,686
Value of in-force non-participating contracts		**20**	(22)	115
Other liabilities		**1,292**	926	(73)
Cash used in operating activities		**(3,245)**	(2,004)	(2,829)
Interest paid		**(196)**	(91)	(214)
Interest received		**2,609**	1,946	4,202
Income tax paid		**(165)**	(141)	(244)
Dividends received		**2,463**	1,756	3,312
Net cash flows from operating activities		**1,466**	1,466	4,227
Cash flows from investing activities				
Net acquisition of plant and equipment		**(10)**	(43)	(58)
Acquisitions (net of cash acquired)	4.09	**1,004**	-	-
Net cash flows from investing activities		**994**	(43)	(58)
Cash flows from financing activities				
Dividend distributions to equity holders of the Company during the year		**(248)**	(248)	(369)
Proceeds from issue of share capital		**7**	3	4
Purchase of employee scheme shares		**(8)**	(3)	(5)
Purchase of shares under share buyback programme		**(408)**	-	(320)
Proceeds from borrowings		**983**	1,627	1,948
Repayment of borrowings		**(723)**	(1,288)	(1,637)
Net cash flows from financing activities		**(397)**	91	(379)
Net increase in cash and cash equivalents		**2,063**	1,514	3,790
Exchange gains/(losses) on cash and cash equivalents		**19**	(9)	17
Cash and cash equivalents at 1 January		**8,737**	4,930	4,930
Cash and cash equivalents at 30 June / 31 December		**10,819**	6,435	8,737

The Group's consolidated cash flow statement includes all cash and cash equivalent flows, including those relating to the UK long term fund policyholders.

Notes to the Financial Statements

4.01 Life and pensions operating profit

(a) Analysis of life and pensions operating profit

	Notes	30.06.08 £m	30.06.07 Restated £m	Full year 31.12.07 £m
Net capital released from non profit business	4.01(b)	**95**	153	161
Investment return[1]		**154**	154	317
Other expenses		**(10)**	(15)	(27)
Non profit business		**239**	292	451
With-profits business		**60**	50	106
UK		**299**	342	557
USA		**30**	32	59
Netherlands		**8**	4	11
France		**10**	5	16
		347	383	643

1. The smoothed investment return of £154m reflects an average return of 3% (H1 07: 3%, FY 07: 7%) on the average balance of invested assets held within Society shareholder capital (including interest bearing intra group balances) calculated on a quarterly basis. The invested assets (including interest bearing intra group balances) held within the SSC amounted to £4.5bn at 30 June 2008 (H1 07: £4.6bn, FY 07: £4.7bn).

(b) Analysis of net capital released from non profit business

	Notes	30.06.08 £m	30.06.07 £m	Full year 31.12.07 £m
Net capital released from non profit business comprises:				
New business				
- Strain before financing arrangements		**(237)**	(142)	(344)
Existing business				
- Expected capital release, before financing arrangements		**241**	211	406
Experience variances	4.01(c)	**(27)**	49	115
Changes to non-economic assumptions	4.01(d)	**(7)**	(6)	(137)
Changes to FSA reporting and capital rules		**-**	-	37
Movements in non-cash items	4.01(e)	**95**	7	74
Other		**3**	(12)	(38)
		68	107	113
Tax gross-up		**27**	46	48
		95	153	161

Expected capital release represents the capital and profit generated in the period from the in-force non profit business if the embedded value assumptions are borne out in practice. The experience variances are calculated with reference to embedded value assumptions, including the apportionment of investment return and tax in the EEV model.

Both new business strain and expected capital release exclude required solvency margin, as this is not accounted for under IFRS. On average, the capital invested in new non profit business, including solvency margin, is repaid from product cash flows in approximately 7 years.

Notes to the Financial Statements

4.01 Life and pensions operating profit (continued)

An analysis of the experience variances, non-economic assumption changes and non-cash items, all net of tax, is provided below:

(c) Experience variances

	30.06.08 £m	30.06.07 £m	Full year 31.12.07 £m
Persistency	**-**	1	10
Mortality/morbidity	**11**	5	22
Expenses	**(24)**	(27)	(57)
BPA data loading	**23**	12	3
Investment	**20**	67	134
Tax[1]	**(55)**	(4)	10
Other	**(2)**	(5)	(7)
	(27)	49	115

1. The current tax credit for the period was lower than expected as a result of the fall in investment markets. The consequent unrelieved expenses gave rise to a deferred tax credit, reflected in non-cash items (Note 4.01(e)).

(d) Changes to non-economic assumptions

	30.06.08 £m	30.06.07 £m	Full year 31.12.07 £m
Mortality/morbidity[1]	**(4)**	-	(121)
Expenses	**(9)**	(1)	(37)
Other	**6**	(5)	21
	(7)	(6)	(137)

1. FY 07 includes £(214)m relating to the strengthening of assumptions for annuitant longevity on existing business, offset by £64m relating to changes to the assumptions for the proportions married.

(e) Movements in non-cash items

	30.06.08 £m	30.06.07 £m	Full year 31.12.07 £m
Non linked deferred tax	**82**	(18)	(17)
Deferred acquisition costs	**31**	64	114
Deferred income liabilities	**(1)**	(42)	(72)
Other	**(17)**	3	49
	95	7	74

4.02 Investment management operating profit

	30.06.08 £m	30.06.07 £m	Full year 31.12.07 £m
Managed pension funds	**63**	51	103
Property	**4**	5	6
Retail investments	**(1)**	6	8
Other income[1]	**27**	11	38
	93	73	155

1. Other income includes £19m of profits arising from the provision of investment management services charged to the Group's UK life and pensions businesses (H1 07: £4m (LGPL only); FY 07: £23m).

Notes to the Financial Statements

4.03 General insurance operating profit, underwriting result and combined operating ratios

(a) Operating profit

	30.06.08 £m	30.06.07 £m	Full year 31.12.07 £m
Household[1]	**(7)**	(52)	(86)
Other business[2]	**3**	14	19
	(4)	(38)	(67)

1. Household business in 2007 includes a loss of £76m (H1 07: £40m) net of reinsurance as a result of flood related claims in June and July 2007.
2. Other business in 2007 includes £6m profit (H1 07: £6m) following the withdrawal from the healthcare business in the first quarter.

(b) Underwriting result

	30.06.08 £m	30.06.07 £m	Full year 31.12.07 £m
Household	**(14)**	(59)	(101)
Other business	**3**	11	15
	(11)	(48)	(86)

(c) Combined operating ratio

	30.06.08 %	30.06.07 %	Full year 31.12.07 %
Household	**110**	153	145
Other business[1]	**88**	68	74
	107	134	131

1. Other business combined ratio in 2007 includes the £6m profit following the withdrawal from the healthcare business in the first quarter.

The combined operating ratio is:

$$\left[\frac{\text{Net incurred claims}}{\text{Net earned premiums}} + \frac{\text{Expenses} + \text{Net commission}}{\text{Net written premiums}}\right] \text{x } 100$$

4.04 Other operational income

	30.06.08 £m	30.06.07 Restated £m	Full year 31.12.07 £m
Shareholders' other income			
Investment return on shareholders' equity[1]	**29**	27	51
Interest expense[2]	**(66)**	(55)	(119)
	(37)	(28)	(68)
Other operations[3]	**(1)**	1	1
Unallocated corporate and development expenses	**(7)**	(5)	(6)
	(45)	(32)	(73)

1. Investment return on shareholders' equity excludes investment return on Society shareholder capital, which is included in UK life and pensions.
2. Interest expense relates to average borrowings, excluding non recourse financing (see Note 4.14).
3. Principally the regulated mortgage network and Cofunds.

Notes to the Financial Statements

4.05 Variation from longer term investment return

	30.06.08 £m	30.06.07 Restated £m	Full year 31.12.07 £m
UK life and pensions	**(425)**	92	(75)
Netherlands	**(13)**	(12)	(11)
Investment management	**(4)**	(1)	4
General insurance	**(11)**	(9)	(9)
Other operational income	**31**	26	1
	(422)	96	(90)

Investment return is allocated to operating profit by reference to a longer term rate of investment return for the respective invested funds. The difference between the amount allocated to operating profit and actual investment return is the variation from longer term investment return analysed above.

4.06 Analysis of tax

	Profit/(loss) before tax 30.06.08 £m	Tax 30.06.08 £m	Profit before tax 30.06.07 Restated £m	Tax 30.06.07 Restated £m	Profit before tax Full year 31.12.07 £m	Tax Full year 31.12.07 £m
From continuing operations						
UK life and pensions	**299**	**(89)**	342	(119)	557	(173)
International life and pensions	**48**	**(15)**	41	(13)	86	(25)
	347	**(104)**	383	(132)	643	(198)
Investment management	**93**	**(22)**	73	(23)	155	(47)
General insurance	**(4)**	**1**	(38)	12	(67)	19
Other operational income	**(45)**	**14**	(32)	12	(73)	30
Operating profit	**391**	**(111)**	386	(131)	658	(196)
Variation from longer term investment return	**(422)**	**128**	96	(39)	(90)	31
Property income attributable to minority interests	**(13)**	**-**	17	-	(6)	-
Release of 1996 Sub-fund	**-**	**-**	-	-	321	-
(Loss)/profit from continuing operations before tax / Tax	**(44)**	**17**	499	(170)	883	(165)

Only the element of total tax attributable to equity holders' profit is shown explicitly in the analysis above; the tax attributable to policyholder returns is included within expenses in the operating profit income statement.

Deferred tax is provided at the incremental rate on the undeclared surplus in Society's LTF represented by the Shareholder Retained Capital (SRC). At 30 June 2008 and 31 December 2007, the incremental rate in respect of the undeclared surplus of £1,892m (December 2007: £2,047m) was zero. At 30 June 2007, no deferred tax was provided, on the grounds that, at the balance sheet date, no obligation to make a declaration of surplus actually existed and there was no expectation that such a declaration would occur. The maximum amount of incremental tax which would have crystallised on such a declaration of surplus at 30 June 2007 was estimated to be £295m.

Notes to the Financial Statements

4.07 Earnings per share

(a) Earnings per share

	Profit before tax 30.06.08 £m	Tax (charge)/ credit 30.06.08 £m	Profit after tax 30.06.08 £m	Earnings per share 30.06.08 p	Profit before tax 30.06.07 Restated £m	Tax (charge)/ credit 30.06.07 Restated £m	Profit after tax 30.06.07 Restated £m	Earnings per share 30.06.07 Restated p
Operating profit from continuing operations	**391**	**(111)**	**280**	**4.61**	386	(131)	255	3.93
Variation from longer term investment return	**(422)**	**128**	**(294)**	**(4.84)**	96	(39)	57	0.87
Earnings per share based on (loss)/profit attributable to equity holders	**(31)**	**17**	**(14)**	**(0.23)**	482	(170)	312	4.80

	Profit before tax Full year 31.12.07 £m	Tax charge Full year 31.12.07 £m	Profit after tax Full year 31.12.07 £m	Earnings per share Full year 31.12.07 p
Operating profit from continuing operations	658	(196)	462	7.17
Variation from longer term investment return	(90)	31	(59)	(0.91)
Release of 1996 Sub-fund	321	-	321	4.98
Earnings per share based on profit attributable to equity holders	889	(165)	724	11.24

(b) Diluted earnings per share

(i) Based on operating profit from continuing operations after tax

	Profit after tax 30.06.08 £m	Number of shares[1] 30.06.08 m	Earnings per share 30.06.08 p	Profit after tax 30.06.07 Restated £m	Number of shares[1] 30.06.07 m	Earnings per share 30.06.07 Restated p
Operating profit from continuing operations after tax	**280**	**6,073**	**4.61**	255	6,493	3.93
Net shares under options allocable for no further consideration	**-**	**22**	**(0.02)**	-	37	(0.02)
Diluted earnings per share	**280**	**6,095**	**4.59**	255	6,530	3.91

	Profit after tax Full year 31.12.07 £m	Number of shares[1] Full year 31.12.07 m	Earnings per share Full year 31.12.07 p
Operating profit from continuing operations after tax	462	6,444	7.17
Net shares under options allocable for no further consideration	-	34	(0.04)
Diluted earnings per share	462	6,478	7.13

(ii) Based on profit attributable to equity holders of the Company

	Profit after tax 30.06.08 £m	Number of shares[1] 30.06.08 m	Earnings per share 30.06.08 p	Profit after tax 30.06.07 £m	Number of shares[1] 30.06.07 m	Earnings per share 30.06.07 p
Profit attributable to equity holders of the Company	**(14)**	**6,073**	**(0.23)**	312	6,493	4.80
Net shares under options allocable for no further consideration	**-**	**22**	**-**	-	37	(0.03)
Diluted earnings per share	**(14)**	**6,095**	**(0.23)**	312	6,530	4.77

	Profit after tax 31.12.07 £m	Number of shares[1] 31.12.07 m	Earnings per share 31.12.07 p
Profit attributable to equity holders of the Company	724	6,444	11.24
Net shares under options allocable for no further consideration	-	34	(0.06)
Diluted earnings per share	724	6,478	11.18

The number of shares in issue at 30 June 2008 was 5,979,009,914 (H1 07: 6,535,517,371; FY 07: 6,296,321,160).

1. Weighted average number of shares.

Notes to the Financial Statements

4.08 Gross written premiums

	30.06.08 £m	30.06.07 £m	Full year 31.12.07 £m
From continuing operations			
UK life and pensions participating business	**249**	193	382
UK life and pensions non-participating business	**2,418**	1,421	3,152
Total UK life and pensions	**2,667**	1,614	3,534
USA	**182**	169	345
Netherlands	**158**	143	259
France	**152**	205	348
Total life and pensions	**3,159**	2,131	4,486
General insurance			
Household	**129**	122	255
Other business	**13**	36	52
Total General insurance	**142**	158	307
Total gross written premiums	**3,301**	2,289	4,793

4.09 Acquisitions

Company name	Notes	Date of acquisition	Cash paid £m	Transaction costs £m	Total cost £m	Total net assets acquired £m
Nationwide Life Limited	(i)	31/01/08	250	2	252	252
Nationwide Unit Trust Managers Limited	(ii)	31/01/08	49	1	50	50
Suffolk Life Group Plc	(iii)	06/05/08	62	1	63	63

The Group has acquired 100% of the shares of each company. No goodwill has arisen in respect of these acquisitions.

(i) Nationwide Life Limited

The values of the purchased interest in long term business on acquired insurance and investment contracts have been calculated using discounted cash flow methodology. These contracts were recognised on the balance sheet at £127m and £2m gross of tax respectively (with corresponding deferred liabilities tax of £19m and £1m). The intangible assets will be amortised in line with the expected emergence of profit from the business. With effect from 31 January 2008 it has contributed £8m to the consolidated profit before tax and before amortisation of the purchased interest in long term business.

(ii) Nationwide Unit Trust Managers Limited

The value of the purchased interest in long term business on investment contracts acquired has been calculated using discounted cash flow methodology. This is recognised on the balance sheet at £29m gross of tax, with corresponding deferred tax liability of £8m. The intangible asset will be amortised in line with the expected emergence of profit from the business. With effect from 31 January 2008 it has contributed £2m to the consolidated profit before tax and before amortisation of the purchased interest in long term business.

(iii) Suffolk Life Group Plc

The value of the purchased interest in long term business on investment contracts acquired has been calculated using discounted cash flow methodology. This is recognised on the balance sheet at £47m gross of tax, with corresponding deferred tax liability of £13m. The value of the acquired customer relationship intangible has been calculated using the discounted cash flow methodology and recognised on the balance sheet at £15m gross of tax, with a corresponding deferred tax liability of £3m. The intangible assets will be amortised in line with the expected emergence of profit from the business. With effect from 6 May 2008 it has contributed £1m to the consolidated profit before tax and before amortisation of the purchased intangibles.

Notes to the Financial Statements

4.09 Acquisitions (continued)

(i) Nationwide Life Limited - Assets and liabilities at date of acquisition

	Book value £m	Adjustments £m	Fair value £m
Assets			
Purchased interest in long term business	-	129	129
Financial investments	1,276	-	1,276
Reinsurers' share of contract liabilities	286	-	286
Deferred acquisition costs	15	(15)	-
Income tax recoverable	15	(15)	-
Other assets	4	-	4
Cash and cash equivalents	599	-	599
Total assets	2,195	99	2,294
Liabilities			
Non-participating contract liabilities	1,221	-	1,221
Tax liabilities	8	15	23
Other liabilities	801	(3)	798
Total liabilities	2,030	12	2,042
Net assets	165	87	252

Adjustments include the recognition of acquired intangibles and application of consistent Group accounting policies.

(ii) Nationwide Unit Trust Managers Limited - Assets and liabilities at date of acquisition

	Book value £m	Adjustments £m	Fair value £m
Assets			
Purchased interest in long term business	-	29	29
Deferred acquisition costs	29	(29)	-
Other assets	70	-	70
Cash and cash equivalents	30	-	30
Total assets	129	-	129
Liabilities			
Provisions	14	-	14
Deferred income liabilities	1	(1)	-
Tax liabilities	5	5	10
Other liabilities	55	-	55
Total liabilities	75	4	79
Net assets	54	(4)	50

Adjustments include the recognition of acquired intangibles and application of consistent Group accounting policies.

Notes to the Financial Statements

4.09 Acquisitions (continued)

(iii) Suffolk Life Group Plc - Assets and liabilities at date of acquisition

	Book value £m	Adjustments £m	Fair value £m
Assets			
Purchased interest in long term business	-	62	62
Plant and equipment	1	-	1
Investment property	503	-	503
Financial investments	1,763	(2)	1,761
Income tax recoverable	1	-	1
Other assets	60	-	60
Cash and cash equivalents	738	2	740
Total assets	3,066	62	3,128
Liabilities			
Non-participating contract liabilities	2,893	-	2,893
Senior borrowings	153	-	153
Tax liabilities	-	16	16
Other liabilities	3	-	3
Total liabilities	3,049	16	3,065
Net assets	17	46	63

Adjustments include the recognition of acquired intangibles and application of consistent Group accounting policies.

Notes to the Financial Statements

4.10 Segmental analysis

The Group is organised into three main business segments:

- Long term business
- Investment management
- General insurance

Other operations comprise estate agencies, regulated mortgage network, corporate expenses and assets held outside the three main business segments, none of which constitute a separately reportable segment.

As a result of Society's long term fund restructure, the Society shareholder capital held outside the LTF has been reclassified as attributable to long term business. The comparatives have been restated accordingly.

(i) Income statement analysed by business segments

	Long term business	Investment manage-ment	General insurance	Other operations	Elimination of inter segment amounts	Total
Six months ended 30 June 2008	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Total revenue from continuing operations[1]	**(551)**	**(13,380)**	**136**	**122**	**(112)**	**(13,785)**
Total expenses from continuing operations	**(66)**	**(13,521)**	**157**	**141**	**(112)**	**(13,401)**
(Loss)/profit from continuing operations after income tax	**(61)**	**64**	**(16)**	**(14)**	**-**	**(27)**
Inter segment revenue	**(17)**	**(47)**	**-**	**(48)**	**112**	**-**
Six months ended 30 June 2007	£m	£m	£m	£m	£m	£m
Total revenue from continuing operations[1]	3,234	5,443	149	242	(110)	8,958
Total expenses from continuing operations	2,842	5,342	196	163	(110)	8,433
Profit/(loss) from continuing operations after income tax	241	50	(33)	71	-	329
Inter segment revenue	(14)	(30)	-	(66)	110	-
Full year ended 31 December 2007	£m	£m	£m	£m	£m	£m
Total revenue from continuing operations[1]	6,540	11,379	308	233	(258)	18,202
Total expenses from continuing operations	5,793	11,169	384	319	(258)	17,407
Profit/(loss) from continuing operations after income tax	719	109	(55)	(55)	-	718
Inter segment revenue	(40)	(79)	-	(139)	258	-

1. Total revenue from continuing operations includes investment return (further details provided in the consolidated income statement).

(ii) Balance sheet analysed by business segments

	Long term business	Investment manage-ment	General insurance	Other operations	Elimination of inter segment amounts	Total
As at 30 June 2008	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Total assets	**78,592**	**194,339**	**420**	**3,326**	**(2,211)**	**274,466**
Total liabilities	**73,929**	**193,457**	**322**	**4,119**	**(2,211)**	**269,616**
Total equity	**4,663**	**882**	**98**	**(793)**	**-**	**4,850**
As at 30 June 2007	£m	£m	£m	£m	£m	£m
Total assets	71,901	165,220	554	4,942	(1,549)	241,068
Total liabilities	68,228	164,445	418	3,555	(1,549)	235,097
Total equity	3,673	775	136	1,387	-	5,971
As at 31 December 2007	£m	£m	£m	£m	£m	£m
Total assets	75,279	204,313	473	3,266	(2,046)	281,285
Total liabilities	70,449	203,550	359	3,349	(2,046)	275,661
Total equity	4,830	763	114	(83)	-	5,624

Notes to the Financial Statements

4.10 Segmental analysis (continued)

(iii) Revenue and assets by geographic segments

	UK	USA	Netherlands	France	Elimination of inter segment amounts	Total
30 June 2008	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Total revenue from continuing operations	**(14,132)**	**182**	**85**	**81**	**(1)**	**(13,785)**
Total assets	**267,924**	**2,624**	**1,751**	**2,223**	**(56)**	**274,466**
30 June 2007						
Total revenue from continuing operations	8,416	163	173	207	(1)	8,958
Total assets	235,254	2,486	1,495	1,880	(47)	241,068
31 December 2007						
Total revenue from continuing operations	17,204	338	290	373	(3)	18,202
Total assets	274,975	2,588	1,663	2,110	(51)	281,285

4.11 Financial investments

	At 30.06.08 £m	At 30.06.07 £m	At 31.12.07 £m
Equities	**133,566**	125,932	149,567
Unit trusts	**4,716**	5,147	4,659
Debt securities	**107,501**	88,465	104,087
Accrued interest	**1,425**	1,187	1,363
Derivative assets	**2,600**	271	694
Loans and receivables	**1,439**	858	1,348
	251,247	221,860	261,718

Notes to the Financial Statements

4.12 Share capital and share premium

Issued share capital, fully paid	Number of shares	Share capital £m	Share premium £m
As at 1 January 2008	**6,296,321,160**	**157**	**927**
Shares cancelled under share buyback programme[1]	**(329,936,896)**	**(8)**	**-**
Options exercised under share option schemes			
- Executive share option scheme	**550,346**	**-**	**-**
- Savings related share option scheme	**12,075,304**	**-**	**7**
As at 30 June 2008	**5,979,009,914**	**149**	**934**

Issued share capital, fully paid	Number of shares	Share capital £m	Share premium £m
As at 1 January 2007	6,532,261,961	163	923
Options exercised under share option schemes			
- Executive share option scheme	1,659,031	-	2
- Savings related share option scheme	1,596,379	-	1
As at 30 June 2007	6,535,517,371	163	926

Issued share capital, fully paid	Number of shares	Share capital £m	Share premium £m
As at 1 January 2007	6,532,261,961	163	923
Shares cancelled under share buyback programme	(241,207,267)	(6)	-
Options exercised under share option schemes			
- Executive share option scheme	1,961,215	-	2
- Savings related share option scheme	3,305,251	-	2
As at 31 December 2007	6,296,321,160	157	927

1. During the period, 329,936,896 shares were repurchased and cancelled under the share buyback programme representing 5.2% of opening issued share capit at a cost of £408m including expenses. At 29 July 2008, a further 37,963,364 ordinary shares had been purchased for cancellation at a total cost of £37m including expenses.

There is one class of ordinary shares. All shares issued carry equal voting rights.

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

4.13 Segmental analysis of ordinary shareholders' equity

	At 30.06.08 £m	At 30.06.07 £m	At 31.12.07 £m
Society shareholder capital	**4,824**	4,830	4,832
General insurance	**98**	136	114
Netherlands	**104**	93	107
France	**146**	112	130
Total Society shareholders' equity	**5,172**	5,171	5,183
USA	**650**	598	643
Investment management	**469**	361	349
Corporate funds[1]	**(1,616)**	(615)	(729)
Shareholders' equity	**4,675**	5,515	5,446

1. Corporate funds includes general corporate assets held at Group level including those used to support the ongoing share buyback programme, subordinated borrowings and senior borrowings.

Notes to the Financial Statements

4.14 Analysis of borrowings

	At 30.06.08 £m	At 30.06.07 £m	At 31.12.07 £m
Subordinated borrowings			
6.385% Sterling perpetual capital securities	**589**	580	620
5.875% Sterling undated subordinated notes	**427**	428	427
4.0% Euro subordinated notes 2025	**428**	363	414
Total subordinated borrowings	**1,444**	1,371	1,461
Senior borrowings			
Sterling medium term notes 2031-2041	**602**	602	608
Euro commercial paper	**347**	114	118
Bank loans	**54**	18	13
Non recourse financing			
- US Dollar Triple X securitisation 2025	**266**	264	266
- US Dollar Triple X securitisation 2037	**223**	220	223
- Suffolk Life linked borrowings	**152**	-	-
- Sterling property partnership loans 2011	**98**	114	99
Total senior borrowings	**1,742**	1,332	1,327
Total borrowings	**3,186**	2,703	2,788
Total borrowings (excluding non recourse financing)	**2,447**	2,105	2,200

Subordinated borrowings
For regulatory purposes the sterling perpetual capital securities are treated as innovative tier I capital, the sterling undated subordinated notes as upper tier II capital and the Euro subordinated notes as lower tier II capital.

6.385% Sterling perpetual capital securities
In 2007, Legal & General Group Plc issued £600m of 6.385% sterling perpetual capital securities. These securities are callable on 2 May 2017 and every three months thereafter. If not called, the coupon from 2 May 2017 will be reset to three month LIBOR plus 1.93% per annum. Simultaneous with the issuance, the fixed coupon was swapped into six month LIBOR plus 0.94% per annum.

5.875% Sterling undated subordinated notes
These notes are callable on 1 April 2019 and every five years thereafter. If not called, the coupon from 1 April 2019 will be reset to the prevailing five year benchmark gilt yield plus 2.33% per annum.

4.0% Euro subordinated notes 2025
These notes are callable on 8 June 2015 and each year thereafter. If not called, the coupon from 8 June 2015 will reset to a floating rate of interest based on prevailing three month Euribor plus 1.7% per annum. The proceeds were swapped into sterling.

Non recourse financing
US Dollar Triple X securitisations
This non recourse debt was issued by a subsidiary of Legal & General America Inc in the US capital markets to meet the Triple X reserve requirements on the US term insurance business. They are secured on the cash flows related to this business.

Suffolk Life linked borrowings
These borrowings relate solely to client investments.

Sterling property partnership loans 2011
These loans are secured on specific properties.

4.15 Minority interests

Minority interests represent third party interests in property investment vehicles which are consolidated in the Group's results.

Notes to the Financial Statements

4.16 Total equity

	30.06.08 £m	30.06.07 £m	Full year 31.12.07 £m
As at 1 January	**5,624**	5,839	5,839
Total recognised income and expense	**(26)**	361	699
Issue of share capital	**7**	3	4
Share buyback	**(408)**	-	(320)
Closed period share buyback reserve	**(100)**	-	-
Net movements in employee scheme shares	**(9)**	(9)	1
Dividend distributions to equity holders of the Company during the period	**(248)**	(248)	(369)
Movements in minority interests including disposals	**10**	25	(230)
As at 30 June / 31 December	**4,850**	5,971	5,624

4.17 Value of policyholder assets held in Society and LGPL

	At 30.06.08 £bn	At 30.06.07 £bn	At 31.12.07 £bn
With-profits business	**26.8**	30.1	29.5
Non profit business	**31.3**	28.1	30.7
	58.1	58.2	60.2

4.18 Non-linked business and Society shareholder capital invested asset mix and investment return

As at 30 June 2008	Investment return %	With-profits asset share %	With-profits non par %	With-profits other %	Non profit %	Society shareholder capital %
Equities	**(10)**	**43**	**4**	**(41)**	**-**	**67**
Bonds	**(3)**	**37**	**80**	**131**	**98**	**14**
Property	**(6)**	**17**	**2**	**-**	**-**	**8**
Cash	**3**	**3**	**14**	**10**	**2**	**11**
		100	**100**	**100**	**100**	**100**
Investment return (%)	**(5)**	**(7)**	**(4)**	**1**	**(3)**	**(3)**
Invested assets (£bn)		**14.8**	**2.3**	**1.7**	**18.2**	**3.7**
As at 30 June 2007						
Equities	9	50	5	(50)	-	68
Bonds	(4)	28	81	127	99	10
Property	4	19	2	1	-	13
Cash	3	3	12	22	1	9
		100	100	100	100	100
Investment return (%)	-	4	(2)	(9)	(4)	5
Invested assets (£bn)		18.1	2.4	1.6	15.0	4.3
As at 31 December 2007						
Equities	9	45	4	(43)	-	69
Bonds	1	35	83	129	99	12
Property	(5)	17	2	-	-	12
Cash	5	3	11	14	1	7
		100	100	100	100	100
Investment return (%)	3	4	3	6	-	6
Invested assets (£bn)		17.1	2.4	1.8	16.6	4.0

All investment return percentages reflect average returns for the period.

Notes to the Financial Statements

4.19 Pension cost

The Legal & General Group UK Pension and Assurance Fund and the Legal & General Group UK Senior Pension Scheme are defined benefit pension arrangements and account for all UK and the majority of worldwide assets of, and contributions to, such arrangements. At 30 June 2008, the combined after tax deficit arising from these arrangements (net of annuity obligations insured by Society) has been estimated at £135m (H1 07: £75m; FY 07: £130m). These amounts have been recognised in the financial statements with £80m charged against shareholder equity (H1 07: £45m; FY 07: £77m) and £55m against unallocated divisible surplus (H1 07: £30m; FY 07: £53m).

4.20 Contingent liabilities, guarantees and indemnities

Provision for the liabilities arising under contracts with policyholders is based on certain assumptions. The variance of actual experience from that assumed may result in such liabilities differing from the provisions made for them. Liabilities may also arise in respect of claims relating to the interpretation of such contracts, or the circumstances in which policyholders have entered into them (together in this paragraph "liabilities"). The extent of such liabilities is influenced by a number of factors including the actions and requirements of the Financial Services Authority (FSA), by ombudsman rulings, by industry compensation schemes and by court judgements. The continuing general profile and emphasis being given by the FSA and other bodies to the suitability of the past sales of endowment policies in the context of some mortgage transactions has led to the continuing receipt of claims from holders of endowment policies.

The recent Consultation Paper 08/11 issued by FSA proposes certain changes which would preclude the discharge out of any with-profits fund of compensation and redress (including for mis-selling claims) to holders of policies allocated to such with-profits fund. The effect of the FSA’s proposals appears to be that the cost of such payments would in future, have to be met out of assets attributable to the shareholders. These proposals are only currently at a consultation stage and the Group is intending to make representations in respect of these. Until the extent of the actual rule changes becomes clearer, it is not possible to say with any reasonable certainty what the financial impact on the Group will be.

Various Group companies receive claims and become involved in actual or threatened litigation and regulatory issues from time to time. Provision for liabilities continues to be made and is regularly reviewed. However, it is not possible to predict, with certainty, the extent and the timing of the financial impact to which these claims, litigation or issues may give rise. The relevant members of the Group nevertheless consider that each makes prudent provision, as and when circumstances calling for such provision become clear, and that each has adequate capital and reserves to meet all reasonably foreseeable eventualities.

In 1975, Legal & General Assurance Society Limited (“the Society”) was required by the Institute of London Underwriters (ILU) to execute the ILU form of guarantee in respect of policies issued through the ILU’s Policy Signing Office on behalf of NRG Victory Reinsurance Company Ltd (Victory), a company which was then a subsidiary of the Society. In 1990, Nederlandse Reassurantie Groep Holding NV (the assets and liabilities of which have since been assumed by Nederlandse Reassurantie Groep NV under a statutory merger in the Netherlands) acquired Victory and provided an indemnity to the Society against any liability the Society may have as a result of the ILU’s requirement, and the ILU agreed that its requirement of the Society would not apply to policies written or renewed after the acquisition. Nederlandse Reassurantie Groep NV is now owned by Columbia Insurance Company, a subsidiary of Berkshire Hathaway Inc. Whether the Society has any liability as a result of the ILU’s requirement and, if so, the amount of its potential liability is uncertain. The Society has made no payment or provision in respect of this matter.

The Society has been discussing with Her Majesty's Revenue & Customs the application of certain tax legislation specific to life assurance companies for the years 1999 to 2006. It has not been possible to reach agreement and a reference will be made in 2009 to the Special Commissioners. The maximum exposure is estimated to be £230m. No amount is included in respect of this issue in the income tax provision at 30 June 2008, as the Group's view, supported by leading tax counsel, is that no amount will be payable.

Group companies have given indemnities and guarantees, including interest rate guarantees, as a normal part of their operating activities or in relation to capital market transactions.

4.21 Events after the balance sheet date

Since 30 June 2008, additional shares have been purchased under the Company’s buyback programme. At 29 July 2008, a further 37,963,364 ordinary shares (representing 0.6% of Legal & General Group Plc’s issued share capital at 30 June 2008) had been purchased for cancellation at a total cost of £37m including expenses, at an average cost of 96.9p per share. Cumulatively, a total of 609,107,527 shares have been repurchased at a total cost of £764m.

4.22 Foreign exchange rates

Period end exchange rates	**At 30.06.08**	At 30.06.07	At 31.12.07
United States Dollar	**1.99**	2.01	1.99
Euro	**1.26**	1.49	1.36

Average exchange rates	**01.01.08-30.06.08**	01.01.07-30.06.07	01.01.07-31.12.07
United States Dollar	**1.97**	1.97	2.00
Euro	**1.29**	1.48	1.46

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Capital and Cash Flow

5.01 Regulatory capital resources

(a) Insurance Group's Directive

The Group is required to measure and monitor its capital resources on a regulatory basis and to comply with the minimum capital requirements of regulators in each territory in which it operates. At Group level, Legal & General must comply with the requirements of the IGD. This is a very prudent measure of capital resources as it excludes any amount of surplus capital within a long term fund (£0.5bn for Society at 30 June 2008). The table below shows the total Group capital resources, Group capital resources requirement and the surplus (half-year figures are estimates).

	At 30.06.08 £bn	At 30.06.07 £bn	At 31.12.07 £bn
Core tier I	**5.1**	5.8	7.1
Innovative tier I	**0.6**	0.6	0.6
Upper tier II	**0.4**	0.4	0.4
Lower tier II	**0.4**	0.4	0.4
Deductions	**(0.2)**	(0.1)	(0.2)
Group capital resources	**6.3**	7.1	8.3
Group capital resources requirement	**2.9**	4.5	4.2
IGD surplus	**3.4**	2.6	4.1

A segmental analysis is given below.

	At 30.06.08 £bn	At 30.06.07 £bn	At 31.12.07 £bn
Society long term fund	**2.5**	3.6	3.9
Society shareholder capital[1]	**3.2**	0.5	3.1
LGPL	**-**	1.5	-
General insurance	**0.1**	0.1	0.1
France	**0.1**	0.1	0.1
Netherlands	**0.2**	0.1	0.1
USA	**0.1**	0.1	0.1
Investment management	**0.4**	0.3	0.3
Other[2]	**0.8**	1.5	1.4
Innovative tier I	**0.6**	0.6	0.6
Tier II	**0.8**	0.8	0.8
Debt	**(2.5)**	(2.1)	(2.2)
Group capital resources	**6.3**	7.1	8.3
Society long term fund	**2.5**	3.6	3.9
LGPL	**-**	0.6	-
Other	**0.4**	0.3	0.3
Group capital resources requirement	**2.9**	4.5	4.2

1. Includes capital resources of LGPL for H1 08 and FY 07 and excludes shareholder capital held within Society's long term fund for all periods.
2. Other reflects general corporate assets held at Group level including those used to support the ongoing share buyback programme.

A reconciliation of the Group capital resources on an IGD basis to the capital and reserves attributable to the equity holders of the Company on an IFRS basis is given below.

	At 30.06.08 £bn	At 30.06.07 £bn	At 31.12.07 £bn
Capital and reserves attributable to equity holders on an IFRS basis	**4.7**	5.5	5.4
Innovative tier I	**0.6**	0.6	0.6
Tier II	**0.8**	0.8	0.8
Proposed dividends	**(0.1)**	-	(0.2)
Additional capital available from Society	**0.9**	0.7	2.2
Adjustment to reflect regulatory value of the USA operation	**(0.6)**	(0.5)	(0.5)
Group capital resources	**6.3**	7.1	8.3

5.01 Regulatory capital resources (continued)

(b) Society capital surplus

Society is required to measure and monitor its capital resources on a regulatory basis.

	At 30.06.08 Long term business £bn	**At 30.06.08 General insurance £bn**	At 30.06.07 Long term business £bn	At 30.06.07 General insurance £bn	At 31.12.07 Long term business £bn	At 31.12.07 General insurance £bn
Tier I	**6.6**	**0.1**	8.9	0.1	8.4	0.1
Available capital resources	**6.6**	**0.1**	8.9	0.1	8.4	0.1
Insurance capital requirement	**2.0**	**0.1**	1.7	-	1.9	0.1
With-Profits Insurance Capital Component	**0.5**	**-**	2.0	-	2.0	-
Capital requirements of regulated related undertakings	**0.2**	**-**	0.7	0.1	0.1	-
Capital resources requirement	**2.7**	**0.1**	4.4	0.1	4.0	0.1
Regulatory capital surplus	**3.9**	**-**	4.5	-	4.4	-

The table below summarises the realistic position of the with-profits part of Society's LTF:

	At 30.06.08 £bn	At 30.06.07 £bn	At 31.12.07 £bn
With-profits surplus	**928**	1,174	1,047
Risk capital margin	**185**	236	262
Surplus	**743**	938	785

Society is required to maintain a surplus in the with-profits part of the fund on a realistic basis (peak 2). If the surplus on a realistic basis is lower than the surplus using peak 1 solvency rules, then a further capital requirement, the With-Profits Insurance Capital Component (WPICC) is required. At 30 June 2008, the WPICC reflects a deduction for the value of shareholder transfers of £330m (30.06.07: £499m; 31.12.07: £396m) within the Risk Capital Margin calculation.

Capital and Cash Flow

5.02 IFRS capital resources

(a) Group capital resources

The Group's total capital resources of £7.5bn on an IFRS basis, comprise equity holders' capital (£4.7bn) (see Note 4.13), subordinated debt (£1.4bn) and unallocated divisible surplus (£1.4bn).

(b) Society capital resources

Society has been allocated capital of £4.8bn, £2.8bn is held outside any long term fund of which £0.3bn is within LGPL; the remainder of £2.0bn is held within Society's long term fund. An analysis of the movement in Society shareholder capital (SSC) on the IFRS basis is provided in the table below:

		Society shareholder capital		
30.06.08	Notes	**Gross £m**	**Tax £m**	**Net £m**
As at 1 January				**4,832**
Investment return		**(271)**	**84**	**(187)**
With-profits distribution		**60**	**(17)**	**43**
Capital invested in subsidiaries		**63**	**-**	**63**
Net capital released from non profit business	4.01(b)	**95**	**(27)**	**68**
Movement included in the statement of recognised income and expense		**11**	**(3)**	**8**
Other		**(5)**	**2**	**(3)**
As at 30 June				**4,824**

The total net capital released from the non profit business is £95m, which comprises the net capital invested in LGPL non profit business of £11m (net of tax £8m) and the net capital released from Society of £106m (net of tax £76m).

30.06.07				
As at 1 January				5,520
Investment return		263	(106)	157
With-profits distribution		50	(15)	35
Repayment of subordinated loan capital		(602)	-	(602)
Net capital released from non profit business	4.01(b)	153	(46)	107
Distribution to Group Plc		(400)	-	(400)
Movement included in the statement of recognised income and expense		38	(12)	26
Other		(18)	5	(13)
As at 30 June				4,830

The total net capital released from the non profit business is £153m, which comprises the net capital released from LGPL non profit business of £76m (net of tax £53m) and the net capital released from Society of £77m (net of tax £54m).

Full year 31.12.07				
As at 1 January				5,520
Investment return		242	(70)	172
With-profits distribution		106	(32)	74
Repayment of subordinated loan capital		(602)	-	(602)
Capital invested in subsidiaries		(27)	-	(27)
Net capital released from non profit business	4.01(b)	161	(48)	113
Release of 1996 Sub-fund		321	-	321
Distribution to Group Plc		(728)	-	(728)
Movement included in the statement of recognised income and expense		(13)	(3)	(16)
Other		2	3	5
As at 31 December				4,832

The total net capital released from the non profit business is £161m, which comprises the net capital contributed to LGPL non profit business of £167m (net of tax £117m) and the net capital released from Society of £328m (net of tax £230m).

5.03 Group credit ratings

Society continues to be one of the two highest rated European life assurers. The financial strength ratings from Standard & Poor's, Moody's and A.M.Best were maintained at AA+, Aa1 and A+ respectively, all with stable outlooks.

The Group's current long term and short term debt ratings are, from Standard & Poor's, AA- and A1+ and, from Moody's, A1 and P1.

5.04 Parent company cash flow statement

The table below shows the cash flows in the year relating to the Group's parent company.

	30.06.08 £bn	30.06.07 £bn	Full year 31.12.07 £bn
Dividends received:			
UK life and pensions[1]	**-**	400	728
Investment management	**-**	-	71
Other	**1**	-	1
	1	400	800
Dividend distributions to equity holders of the Company during the year	**(248)**	(248)	(369)
Repayment of intra-group subordinated debt[1]	**-**	605	602
Proceeds from issue of equity	**7**	3	4
Proceeds from issue of subordinated borrowings	**-**	595	595
Proceeds/(repayment) from issue of commercial paper	**219**	-	(249)
Capital injected into subsidiaries[2]	**(374)**	(46)	(90)
Purchase of shares under share buyback programme	**(408)**	-	(320)
Maturity of investments	**85**	-	-
Working capital movements	**46**	(369)	(84)
Net cash (outflow)/inflow	**(672)**	940	889

1. The parent company holds sufficient distributable reserves at H1 08 to finance the interim dividend to shareholders. Subsidiary dividends will be paid in the second half of the year to finance the 2008 final and 2009 interim dividends to shareholders. In June 2007, a first interim dividend of £400m was paid from brought forward distributable reserves to finance part of Group Plc's £1bn on-market share buyback programme, with the balance financed when Society repaid £602m subordinated debt to Group Plc. A further dividend of £328m was paid in December 2007 in support of Group Plc's full year 2007 and half-year 2008 dividends to shareholders.
2. Includes capital injected for purchase of Nationwide Life Limited, Nationwide Unit Trust Managers Limited and Suffolk Life Group Plc. Also includes capital contributions of £9m to other subsidiaries.

Appendices

I UK funds under management

	At 30.06.08 £m	At 30.06.07 £m	At 31.12.07 £m
Total investments	**285,785**	252,935	296,649
Represented by			
Index tracking funds:			
- UK equities	**73,117**	75,662	86,294
- Overseas equities	**60,794**	48,659	63,930
- Fixed interest	**35,989**	30,917	34,256
- Index linked	**30,958**	23,116	28,776
- Cash/deposits	**523**	1,153	860
Total index tracking funds	**201,381**	179,507	214,116
Actively managed funds	**69,287**	67,438	70,727
Structured solutions	**15,117**	5,990	11,806
	285,785	252,935	296,649
By investment approach			
Index equities	**133,910**	124,321	150,224
Index bonds (including index linked funds and cash)	**67,470**	55,186	63,891
Active bonds (including index linked funds and cash)	**51,447**	44,834	51,546
Structured solutions	**15,117**	5,990	11,806
Active equities	**9,155**	11,528	9,816
Property	**8,568**	10,847	9,086
Private equity	**118**	229	280
	285,785	252,935	296,649
By source of business			
Institutional funds under management[1]:			
- Managed pension funds pooled	**181,279**	160,563	194,771
- Structured solutions	**15,117**	5,990	11,806
- Other	**8,473**	6,414	7,030
- Managed pension funds segregated	**6,769**	3,689	5,807
Total institutional funds under management	**211,638**	176,656	219,414
UK Operations (life and general insurance funds)	**63,198**	64,390	65,280
UK Operations (unit trusts - excluding life fund investment)	**10,949**	11,889	11,955
	285,785	252,935	296,649

1. Excludes institutional investments in unit trust funds.

II New business

a) UK life and pensions new business APE by quarter

	3 months 30.06.08 £m	**3 months 31.03.08 £m**	3 months 31.12.07 £m	3 months 30.09.07 £m	3 months 30.06.07 £m	3 months 31.03.07 £m
Protection	**60**	**50**	55	57	55	56
Annuities	**87**	**91**	78	38	45	44
Total risk	**147**	**141**	133	95	100	100
Unit linked bonds	**35**	**40**	53	62	62	74
Pensions, stakeholder and other non profit	**93**	**69**	60	60	64	69
With-profits savings	**61**	**43**	45	54	69	60
Total savings	**189**	**152**	158	176	195	203
Total UK risk and savings	**336**	**293**	291	271	295	303

b) UK life and pensions new business annual premiums by quarter

	3 months 30.06.08 £m	**3 months 31.03.08 £m**	3 months 31.12.07 £m	3 months 30.09.07 £m	3 months 30.06.07 £m	3 months 31.03.07 £m
Protection	**60**	**50**	55	57	55	56
Annuities	**-**	**-**	-	-	-	-
Total risk	**60**	**50**	55	57	55	56
Unit linked bonds	**-**	**-**	-	-	-	-
Pensions, stakeholder and other non profit	**51**	**43**	37	34	27	43
With-profits savings	**32**	**25**	23	27	45	35
Total savings	**83**	**68**	60	61	72	78
Total UK risk and savings	**143**	**118**	115	118	127	134

c) UK life and pensions new business single premiums by quarter

	3 months 30.06.08 £m	**3 months 31.03.08 £m**	3 months 31.12.07 £m	3 months 30.09.07 £m	3 months 30.06.07 £m	3 months 31.03.07 £m
Protection	**-**	**-**	-	-	-	-
Annuities	**871**	**905**	780	370	458	437
Total risk	**871**	**905**	780	370	458	437
Unit linked bonds	**347**	**402**	537	620	616	739
Pensions, stakeholder and other non profit	**418**	**261**	229	258	373	262
With-profits savings	**304**	**171**	217	278	240	248
Total savings	**1,069**	**834**	983	1,156	1,229	1,249
Total UK risk and savings	**1,940**	**1,739**	1,763	1,526	1,687	1,686

d) International life and pensions new business APE by quarter

	3 months 30.06.08 £m	**3 months 31.03.08 £m**	3 months 31.12.07 £m	3 months 30.09.07 £m	3 months 30.06.07 £m	3 months 31.03.07 £m
USA	**12**	**12**	11	12	11	11
Netherlands	**7**	**9**	7	6	6	8
France	**4**	**15**	6	9	17	10
Total	**23**	**36**	24	27	34	29

II New business (continued)

e) International life and pensions new business annual premiums by quarter

	3 months 30.06.08 £m	**3 months 31.03.08 £m**	3 months 31.12.07 £m	3 months 30.09.07 £m	3 months 30.06.07 £m	3 months 31.03.07 £m
USA	**12**	**12**	11	12	11	11
Netherlands	**3**	**3**	3	3	2	3
France	**-**	**10**	1	5	9	2
Total	**15**	**25**	15	20	22	16

f) International life and pensions new business single premiums by quarter

	3 months 30.06.08 £m	**3 months 31.03.08 £m**	3 months 31.12.07 £m	3 months 30.09.07 £m	3 months 30.06.07 £m	3 months 31.03.07 £m
USA	**-**	**-**	-	-	-	-
Netherlands	**37**	**59**	36	30	35	56
France	**43**	**49**	47	45	78	78
Total	**80**	**108**	83	75	113	134

g) Core retail investments new business APE by quarter

	3 months 30.06.08 £m	**3 months 31.03.08 £m**	3 months 31.12.07 £m	3 months 30.09.07 £m	3 months 30.06.07 £m	3 months 31.03.07 £m
UK	**73**	**42**	37	38	51	35
France	**2**	**1**	-	-	1	1
Total	**75**	**43**	37	38	52	36

h) Core retail investments new business annual premiums by quarter

	3 months 30.06.08 £m	**3 months 31.03.08 £m**	3 months 31.12.07 £m	3 months 30.09.07 £m	3 months 30.06.07 £m	3 months 31.03.07 £m
UK	**14**	**5**	5	5	7	4
France	**-**	**-**	-	-	-	-
Total	**14**	**5**	5	5	7	4

i) Core retail investments new business single premiums by quarter

	3 months 30.06.08 £m	**3 months 31.03.08 £m**	3 months 31.12.07 £m	3 months 30.09.07 £m	3 months 30.06.07 £m	3 months 31.03.07 £m
UK	**577**	**376**	316	324	440	319
France	**19**	**7**	4	5	9	6
Total	**596**	**383**	320	329	449	325

II New business (continued)

j) Analysis of total UK APE

	3 months 30.06.08 £m	3 months 31.03.08 £m	3 months 31.12.07 £m	3 months 30.09.07 £m	3 months 30.06.07 £m	3 months 31.03.07 £m
Independent financial advisers	**234**	**187**	185	206	220	231
Tied	**76**	**53**	57	66	72	66
Direct	**10**	**8**	5	9	13	9
Total UK individual	**320**	**248**	247	281	305	306
Individual life and pensions	**247**	**206**	210	243	254	271
Core retail investments	**73**	**42**	37	38	51	35
Total UK individual	**320**	**248**	247	281	305	306
Group life and pensions	**90**	**86**	81	28	41	32
Total UK	**410**	**334**	328	309	346	338

k) Institutional fund management new business by quarter

	3 months 30.06.08 £m	3 months 31.03.08 £m	3 months 31.12.07 £m	3 months 30.09.07 £m	3 months 30.06.07 £m	3 months 31.03.07 £m
Managed pension funds[1]						
Pooled funds	**8,254**	**5,308**	19,903	13,989	10,646	4,922
Segregated funds	**141**	**223**	230	1,925	380	68
Total managed funds	**8,395**	**5,531**	20,133	15,914	11,026	4,990
Other funds[2]	**3,151**	**568**	871	492	506	499
Total	**11,546**	**6,099**	21,004	16,406	11,532	5,489
Attributable to:						
Legal & General Investment Management	**10,611**	**5,613**	20,247	16,149	11,167	5,059
Legal & General Retail Investments	**935**	**486**	757	257	365	430

1. New monies from pension fund clients of Legal & General Assurance (Pensions Management) Limited exclude £4.6bn (H1 07: £7.8bn; FY 07: £19.4bn) held through the year on a temporary basis, generally as part of portfolio reconstructions.
2. Includes segregated property, property partnerships, private equity partnerships, and institutional clients funds managed by Legal & General Investment Management and institutional investments in unit trust funds managed by Legal & General Retail Investments.

III European Embedded Value Methodology

Basis of preparation

The supplementary financial statements have been prepared in accordance with the European Embedded Value (EEV) Principles issued in May 2004 by the European Insurance CFO Forum.

Covered business

The Group uses EEV methodology to value individual and group life assurance, pensions and annuity business written in the UK, Continental Europe and the US and within our UK managed pension funds company. The UK covered business also includes non-insured self invested personal pension (SIPP) business.

At the end of 2007, all shareholder assets held within Legal & General Assurance Society Limited (Society) and Legal & General Pensions Limited (LGPL) were allocated to the covered business.

All other businesses are accounted for on the IFRS basis adopted in the primary financial statements.

There is no distinction made between insurance and investment contracts in our life and pensions businesses as there is under IFRS.

Description of methodology

The objective of EEV is to provide shareholders with realistic information on the financial position and current performance of the Group.

The methodology requires assets of an insurance company, as reported in the primary financial statements, to be attributed between those supporting the covered business and the remainder. The method accounts for assets in the covered business on an EEV basis and the remainder of the Group's assets on the IFRS basis adopted in the primary financial statements.

The EEV methodology recognises as profit from the covered business the total of:

i. cash transfers during the relevant period from the covered business to the remainder of the Group's assets; and

ii. the movement in the present value of future distributable profits to shareholders arising from the covered business over the relevant reporting period.

Embedded value

Shareholders' equity on the EEV basis comprises the embedded value of the covered business plus the shareholders' equity of other businesses, less the value included for purchased interests in long term business.

The embedded value is the sum of the shareholder net worth (SNW) and the value of the in-force business (VIF). SNW is defined as those amounts, within covered business (both within the long term fund and held outside the long term fund but used to support long term business), which are regarded either as required capital or which represent free surplus.

The VIF is the present value of future shareholder profits arising from the covered business, projected using best estimate assumptions, less an appropriate deduction for the cost of holding the required level of capital and the time value of financial options and guarantees (FOGs).

Service companies

All services relating to the UK life and pensions business are charged on a cost recovery basis, with the exception of investment management services provided to LGPL, which have been charged at market referenced rates since 1 January 2007, and to Society, which have been charged at market referenced rates since 1 July 2007. Profits arising on the provision of these services are valued on a 'look through' basis.

As the EEV methodology incorporates the future capitalised cost of these internal investment management services, the equivalent IFRS profits have been removed from the Investment management segment and are instead included in the results of the UK life and pensions segment on an EEV basis.

The capitalised value of future profits emerging from internal investment management services are therefore included in the embedded value and new business contribution calculations for the UK life and pensions segment. However, the historical profits which have emerged continue to be reported in the shareholders' equity of the Investment management segment on an IFRS basis. Since the look through into service companies includes only future profits and losses, current intra-group profits or losses must be eliminated from the closing embedded value and in order to reconcile the profits arising in the financial period within each segment with the net assets on the opening and closing balance sheet, a transfer of IFRS profits for the period from the UK life and pensions SNW is deemed to occur.

New business

New business premiums reflect income arising from the sale of new contracts during the reporting period and any changes to existing contracts, which were not anticipated at the outset of the contract.

In-force business comprises previously written single premium, regular premium and recurrent single premium contracts.

III European Embedded Value Methodology (continued)

Department of Work and Pensions rebates have not been treated as recurrent and are included in single premium new business when received.

New business contribution arising from the new business premiums written during the reporting period has been calculated on the same economic and operating assumptions used in the embedded value at the end of the financial period. This has then been rolled forward to the end of the financial period using the risk discount rate applicable at the end of the reporting period.

The present value of future new business premiums (PVNBP) has been calculated and expressed at the point of sale. The PVNBP is equivalent to the total single premiums plus the discounted value of regular premiums expected to be received over the term of the contracts using the same economic and operating assumptions used for the embedded value at the end of the financial period. The new business margin is defined as new business contribution at the end of the reporting period divided by the PVNBP. The premium volumes and projection assumptions used to calculate the PVNBP are the same as those used to calculate new business contribution.

Projection assumptions

Cash flow projections are determined using realistic assumptions for each component of cash flow and for each policy group. Future economic and investment return assumptions are based on conditions at the end of the financial year. Future investment returns are projected by one of two methods. The first method is based on an assumed investment return attributed to assets at their market value. The second, which is used in the US, where the investments of that subsidiary are substantially all fixed interest, projects the cash flows from the current portfolio of assets and assumes an investment return on reinvestment of surplus cash flows. The assumed discount and inflation rates are consistent with the investment return assumptions.

Detailed projection assumptions including mortality, persistency, morbidity and expenses reflect recent operating experience and are normally reviewed annually. Allowance is made for future improvements in annuitant mortality based on experience and externally published data. Favourable changes in operating experience are not anticipated until the improvement in experience has been observed.

All costs relating to the covered business, whether incurred in the covered business or elsewhere in the Group, are allocated to that business. The expense assumptions used for the cash flow projections therefore include the full cost of servicing this business.

Tax

The projections take into account all tax which is expected to be paid, based on best estimate assumptions, applying current legislation and practice together with known or expected future changes. This includes tax which would arise if surplus assets within the covered business were eventually to be distributed. The future benefit of certain current UK tax rules on the apportionment of income has not been reflected. It is expected that these rules will be amended as part of the current consultation on life assurance taxation, such that the benefit is not expected to be realised.

Allowance for risk

Aggregate risks within the covered business are allowed for through the following principal mechanisms:

i. setting required capital levels with reference to both the Group's internal risk based capital models, and an assessment of the strength of regulatory reserves in the covered business;

ii. allowing explicitly for the time value of financial options and guarantees within the Group's products; and

iii. setting risk discount rates by deriving a Group level risk margin to be applied consistently to local risk free rates.

Required capital and free surplus

Regulatory capital for UK life and pensions business is provided by assets backing the with-profits business or by the SNW. The SNW comprises all shareholders' capital within Society, including those funds retained within the long term fund and the excess assets in LGPL (collectively Society shareholder capital).

Society shareholder capital is either required to cover EU solvency margin or is free surplus as its distribution to shareholders is not restricted.

For UK with-profits business, the required capital is covered by the surplus within the with-profits part of the fund and no effect is attributed to shareholders except for the burn-through cost, which is described later. This treatment is consistent with the Principles and Practices of Financial Management for this part of the fund.

For UK non profit business, the required capital will be maintained at no less than the level of the EU minimum solvency requirement. This level, together with the margins for adverse deviation in the regulatory reserves, is, in aggregate, in excess of internal capital targets assessed in conjunction with the Individual Capital Assessment (ICA) and the with-profits support account.

The initial strains relating to new non profit business, together with the related EU solvency margin, are supported by releases from existing non profit business and the Society shareholder capital. As a consequence, the writing of new business defers the release of capital to free surplus. The cost of holding required capital is defined as the difference between the value of the required capital and the present value of future releases of that capital. For new business, the cost of capital is taken as the difference in the value of that capital assuming it was available for release immediately and the present value of the future releases of that capital. As the

III European Embedded Value Methodology (continued)

investment return, net of tax, on that capital is less than the risk discount rate, there is a resulting cost of capital which is reflected in the value of new business.

For our UK managed pension funds business, management's capital policy has been used to set the level of required capital. The balance of net assets within the UK managed funds business is treated as free surplus.

For Legal & General America, the Company Action Level (CAL) of capital has been treated as required capital for modelling purposes. The CAL is the regulatory capital level at which the company would have to take prescribed action, such as submission of plans to the State insurance regulator, but would be able to continue operating on the existing basis. The CAL is currently twice the level of capital at which the regulator is permitted to take control of the business.

For Legal & General Netherlands, 100% of EU minimum solvency margin has been used for all EV modelling purposes for all products both with and without FOGs. The level of capital has been determined using risk based capital techniques.

For Legal & General France, 100% of EU minimum solvency margin has been used for EV modelling purposes for all products both with and without FOGs. The level of capital has been determined using risk based capital techniques.

The contribution from new business for our International businesses reflects an appropriate allowance for the cost of holding the required capital.

Financial options and guarantees

In the UK, all financial options and guarantees (FOGs) are within the UK life and pensions business.

Under the EEV Principles an allowance for time value of FOGs is required where a financial option exists which is exercisable at the discretion of the policyholder. These types of option principally arise within the with-profits part of the fund and their time value is recognised within the with-profits burn-through cost described below. Additional financial options for non profit business exist only for a small amount of deferred annuity business where guaranteed early retirement and cash commutation terms apply when the policyholders choose their actual retirement date.

Further financial guarantees exist for non profit business, in relation to index-linked annuities where capped or collared restrictions apply. Due to the nature of these restrictions and the manner in which they vary depending on the prevailing inflation conditions, they are also treated as FOGs and a time value cost recognised accordingly.

The time value of FOGs has been calculated stochastically using a large number of real world economic scenarios derived from assumptions consistent with the deterministic EEV assumptions and allowing for appropriate management actions where applicable. The management action primarily relates to the setting of bonus rates. Future regular and terminal bonuses on participating business within the projections are set in a manner consistent with expected future returns available on assets deemed to back the policies within the stochastic scenarios.

In recognising the residual value of any projected surplus assets within the with-profits part of the fund in the deterministic projection, it is assumed that terminal bonuses are increased to exhaust all of the assets in the part of the fund over the future lifetime of the in-force with-profits policies. However, under stochastic modelling, there may be some extreme economic scenarios when the total projected assets within the with-profits part of the fund are insufficient to pay all projected policyholder claims and associated costs. The average additional shareholder cost arising from this shortfall has been included in the time value cost of options and guarantees and is referred to as the with-profits burn-through cost.

Economic scenarios have been used to assess the time value of the financial guarantees for non profit business by using the inflation rate generated in each scenario. The inflation rate used to project index-linked annuities will be constrained in certain real world scenarios, for example, where negative inflation occurs but the annuity payments do not reduce below pre-existing levels. The time value cost of FOGs allows for the projected average cost of these constrained payments for the index-linked annuities. It also allows for the small additional cost of the guaranteed early retirement and cash commutation terms for the minority of deferred annuity business where such guarantees have been written.

In the US, FOGs relate to guaranteed minimum crediting rates and surrender values on a range of contracts. The guaranteed surrender value of the contract is based on the accumulated value of the contract including accrued interest. The crediting rates are discretionary but related to the accounting income for the amortising bond portfolio. The majority of the guaranteed minimum crediting rates are between 4% and 5%. The assets backing these contracts are invested in US dollar denominated fixed interest securities.

In the Netherlands, there are two types of guarantees which have been separately provided for: interest rate guarantees and maturity guarantees. Certain contracts provide an interest rate guarantee where there is a minimum crediting rate based on the higher of 1-year Euribor and the policy guarantee rate. This guarantee applies on a monthly basis. Certain unit linked contracts provide a guaranteed minimum value at maturity where the maturity amount is the higher of the fund value and a guarantee amount. The fund values for both these contracts are invested in Euro denominated fixed interest securities.

III European Embedded Value Methodology (continued)

In France, FOGs which have been separately provided for relate to guaranteed minimum crediting rates and surrender values on a range of contracts. The guaranteed surrender value of the contract is the accumulated value of the contract including accrued bonuses. The bonuses are based on the accounting income for the amortising bond portfolios plus income and releases from realised gains on any equity type investments. Policy liabilities equal guaranteed surrender values. Local statutory accounting rules require the establishment of a specific liability when the accounting income for a company is less than 125% of the guaranteed minimum credited returns, although this has never been required. In general, the guaranteed annual bonus rates are between 0% and 4.5%.

Risk discount rate

The risk discount rate (RDR) is a combination of the risk free rate and a risk margin, which reflects the residual risks inherent in the Group's covered businesses, after taking account of prudential margins in the statutory provisions, the required capital and the specific allowance for FOGs.

The risk margin has been determined based on an assessment of the Group's weighted average cost of capital (WACC). This assessment incorporates a beta for the Group, which measures the correlation of movements in the Group's share price to movements in a relevant index. Beta values therefore allow for the market's assessment of the risks inherent in the business relative to other companies in the chosen index.

The WACC is derived from the Group's cost of equity and debt, and the proportion of equity to debt in the Group's capital structure measured using market values. Each of these three parameters are forward looking, although informed by historic information. The cost of equity is calculated as the risk free rate plus the equity risk premium for the chosen index multiplied by the Company's beta. Forward-looking or adjusted betas make allowance for the observed tendency for betas to revert to 1 and therefore a weighted average of the historic beta and 1 tends to be a better estimate of the Company's beta for the future period. We have computed the WACC using an arithmetical average of forward-looking betas against the FTSE 100 index.

The cost of debt used in the WACC calculations takes account of the actual locked-in rates for our senior and subordinated long term debt. All debt interest attracts tax relief at a rate of 28%.

Whilst the WACC approach is a relatively simple and transparent calculation to apply, subjectivity remains within a number of the assumptions. Management believes that the chosen margin, together with the levels of required capital, the inherent strength of the Group's regulatory reserves and the explicit deduction for the cost of options and guarantees, is appropriate to reflect the risks within the covered business. For these results the risk margin has been maintained at 3.0%.

A similar approach will be adopted when risk margins are reassessed in future periods.

Key assumptions are summarised below:

Risk free rate	Derived from gross redemption yields on relevant gilt portfolio
Equity risk premium	3.0% (UK only)
Property risk premium	2.0% (UK only)
Risk margin	3.0%

Analysis of profit

Operating profit is identified at a level which reflects an assumed longer term level of investment return.

The contribution to operating profit in a period is attributed to four sources:

i. new business;
ii. the management of in-force business;
iii. development costs; and
iv. return on shareholder net worth.

Further profit contributions arise from actual investment return differing from the assumed long term investment return (investment return variances), and from the effect of economic assumption changes.

The contribution from new business represents the value recognised at the end of each period from new business written in that period, after allowing for the actual cost of acquiring the business and of establishing the required technical provisions and reserves and after making allowance for the cost of capital. New business contributions are calculated using closing assumptions.

III European Embedded Value Methodology (continued)

The contribution from in-force business is calculated using opening assumptions and comprises:

i. expected return - the discount earned from the value of business in-force at the start of the year;

ii. experience variances - the variance in the actual experience over the reporting period from that assumed in the value of business in-force as at the start of the year; and

iii. operating assumption changes - the effects of changes in future assumptions, other than changes in economic assumptions from those used in valuing the business at the start of the year. These changes are made prospectively from the end of the year.

Development costs relate to investment in strategic systems and development capability.

The contribution from shareholder net worth comprises the increase in embedded value based on assumptions at the start of the year in respect of :

i. the expected investment return on the Society shareholder capital (excluding the contingent loan); and

ii. the unwind of the discount rate on the contingent loan between Society and LGPL.

Further profit contributions arise from actual investment returns differing from the assumed long term investment returns (investment return variances) and from the effect of economic assumption changes.

Investment return variances represent the effect of actual investment performance and changes to investment policy on SNW and VIF business from that assumed at the beginning of the period.

Economic assumption changes comprise the effect of changes in economic variables on SNW and VIF business from that assumed at the beginning of the period, which are beyond the control of management, including associated changes to valuation bases to the extent that they are reflected in revised assumptions.

IV IFRS basis of preparation

Basis of preparation
The Group's financial information for the period ending 30 June 2008 has been prepared in accordance with the Listing Rules of the Financial Services Authority. The Group's financial information has been prepared in accordance with the accounting policies that the Group expects to adopt for the 2008 year-end, which are consistent with the principal accounting policies which are set out in the Group's 2007 consolidated financial statements. The principal accounting policies adopted by the Group for the 2007 year-end, as set out in the Group's 2007 consolidated financial statements, were consistent with IFRSs issued by the IASB as adopted by the European Commission (EC) for use in the European Union (EU). The Group has adopted IAS 34 'Interim Financial Reporting' in preparing its 2008 half-year report.

The accounting policies have been consistently applied to all periods presented.

Use of estimates
The preparation of the financial information includes the use of estimates and assumptions that affect items reported in the consolidated balance sheet and income statement and the disclosure of contingent assets and liabilities at the date of the financial information. Although these estimates are based on management's best knowledge of current circumstances and future events and actions, actual results may differ from those estimates, possibly significantly.

V Statement of Directors' Responsibilities (extracted from the Half-year Report)

We confirm to the best of our knowledge that:

- the condensed set of financial statements, on pages 22 to 35 of the Half-year Report, which has been prepared in accordance with IAS 34 as adopted by the European Union gives a fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole; and

- the interim management report includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8, namely important events that have occurred during the period and their impact on the condensed set of financial statements, as well as a description of the principal risks and uncertainties faced by the company and the undertakings included in the consolidation taken as a whole for the remaining six months of the financial year; and

- the interim management report includes a fair review of material related party transactions and any material changes in the related party transactions described in the last annual report.

- the European Embedded Value Basis consolidated income statement, the consolidated statement of recognised income and expense and the consolidated balance sheet and associated notes have been prepared on the European Embedded Value basis as set out in Notes 1 and 14 of the half-year report.

The directors of Legal & General Group Plc are listed in the Legal & General Group Plc Annual Report for 31 December 2007. A list of current directors is maintained on the Legal & General Group Plc website: www.legalandgeneralgroup.com.

By order of the Board

Tim Breedon	Andrew Palmer
Group Chief Executive	Group Director (Finance)
4 August 2008	4 August 2008

VI Independent review report to Legal & General Group Plc (extracted from the Half-year Report)

Introduction

We have been engaged by the company to review the financial information in the half-yearly financial report for the six months ended 30 June 2008, which comprises the consolidated income statement, the consolidated balance sheet as at 30 June 2008, the consolidated statement of recognised income and expense and associated notes prepared on the European Embedded Value ("EEV") basis ("the supplementary financial statements"), and the condensed consolidated income statement, condensed balance sheet as at 30 June 2008, the consolidated statement of recognised income and expense, the condensed consolidated cash flow statement and associated notes, prepared in accordance with the accounting policies set out in Note 20 ("the condensed set of financial statements", together "the interim financial information"). We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial information.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors.

The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority. As disclosed in note 20, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

The directors are responsible for preparing the supplementary financial statements in accordance with the EEV basis set out in Notes 1 and 14.

Our responsibility

Our responsibility on the condensed set of financial statements in the half-yearly financial report is to express to the company a conclusion based on our review. This report on the condensed set of financial statements, including the conclusion, has been prepared for and only for the company for the purpose of the Disclosure and Transparency Rules of the Financial Services Authority and for no other purpose.

Our responsibility on the supplementary financial statements in the half-yearly financial report is to express to the company a conclusion based on our review. This report on the supplementary financial statements, including the conclusion, has been prepared for and only for the company in accordance with our letter of engagement dated 24 July 2008 and for no other purpose.

We do not, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that:

- the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2008 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority; and,
- the supplementary financial statements in the half-yearly financial report for the six months ended 30 June 2008 are not prepared, in all material respects, in accordance with the EEV basis set out in Notes 1 and 14.

PricewaterhouseCoopers LLP
Chartered Accountants
4 August 2008
London

Notes:
(a) The maintenance and integrity of the Legal & General Group Plc website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
(b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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