

02338444

LEGAL & GENERAL FINANCE PLC

INTERIM REPORT

FOR THE SIX MONTHS ENDED

30 JUNE 2015

LEGAL & GENERAL FINANCE PLC
BUSINESS REVIEW

Principal activities and business review

The principal activity of the company is to operate as a finance company providing funding to other Legal & General Group companies and to provide a full treasury service to a number of group companies. It does this by raising finance from European capital markets.

In fulfilling this role the Company issues listed debt through Legal & General Group Plc's £3bn Euro Note Programme and the Company's US \$2bn Commercial Paper Programme. All of the Company's issued listed debt is listed on the London Stock Exchange and is guaranteed by Legal & General Group Plc. The Company issued no new debt other than short dated Commercial Paper during the period covered by these interim financial statements.

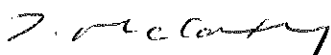
During the six months to 30 June 2015 the company paid a dividend of £8.0m (30.06.14: £Nil; 31.12.14: £Nil).

The directors review a range of performance indicators to monitor the performance of the Company. Profit on ordinary activities before taxation, net assets and shareholders' funds are regarded as the principal key performance indicators. The profit on ordinary activities before taxation of the Company for the period to 30.06.15 was £0.3m (30.06.14: £0.9m; 31.12.14: £2.3m). Net assets as at 30 June 2015 were £5.2m (30.06.14: £11.6m; 31.12.14: £13m).

Statement of Directors' Responsibilities

The directors confirm that these condensed interim financial statements have been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union and as issued by the IASB and that the interim management report includes a fair review of the information required by DTR 4.2.7, namely:

- An indication of important events that have occurred during the first six months and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year (Note 2).



J. McCarthy
For and on behalf of
Legal & General Co Sec Limited
Company Secretary

Date: 24/11/2015



A.C. Price
Director
Registered number: 02338444
One Coleman Street
London EC2R 5AA
Date: 24/11/2015

LEGAL & GENERAL FINANCE PLC
PROFIT AND LOSS ACCOUNT

For the period ended 30 June 2015

	30.06.15	30.06.14	31.12.14
	£m	£m	£m
Administrative expenses	(0.9)	(1.2)	(2.7)
Interest receivable and similar income			
Group undertakings	18.8	18.2	38.3
Other	3.2	3.6	6.6
	<u>22.0</u>	<u>21.8</u>	<u>44.9</u>
Interest payable and similar charges			
Group undertakings	(1.7)	(1.3)	(3.1)
Other	(17.8)	(17.8)	(35.8)
	<u>(19.5)</u>	<u>(19.1)</u>	<u>(38.9)</u>
Revaluation of investments held at fair value through profit and loss	<u>(1.3)</u>	<u>(0.6)</u>	<u>(1.0)</u>
Profit on ordinary activities before taxation	0.3	0.9	2.3
Tax on profit on ordinary activities	<u>(0.1)</u>	<u>(0.2)</u>	<u>(0.2)</u>
Profit for the period	<u>0.2</u>	<u>0.7</u>	<u>2.1</u>

All gains and losses which arose during the period have been reflected in the Profit and Loss Account, and arise from continuing operations.

There is no material difference between the profit on ordinary activities before taxation and the profit for the financial year stated above and their historical cost equivalents.

Reconciliation of movements in shareholders' funds	30.06.15	30.06.14	31.12.14
	£m	£m	£m
Opening balance as at 1 January	13.0	10.9	10.9
Profit for the financial year	0.2	0.7	2.1
Dividends	(8.0)	-	-
Closing balance as at 30 June/31 December	<u>5.2</u>	<u>11.6</u>	<u>13.0</u>

LEGAL & GENERAL FINANCE PLC
BALANCE SHEET

02338444

As at 30 June 2015

	30.06.15	30.06.14	31.12.14
	£m	£m	£m
Fixed Assets			
Amounts owed by group undertakings	601.2	601.2	601.2
Current Assets			
Debtors	98.4	53.8	286.2
Investments	3 498.4	1,095.8	576.7
Cash at bank	122.0	51.2	21.0
	<u>718.8</u>	<u>1,200.8</u>	<u>883.9</u>
Creditors: amounts falling due within one year			
Amounts owed to group undertakings	(671.9)	(1,065.1)	(789.8)
Other creditors	(45.1)	(127.6)	(84.6)
	<u>(717.0)</u>	<u>(1,192.7)</u>	<u>(874.4)</u>
Net current assets	1.8	8.1	9.5
Total assets less current liabilities	<u>603.0</u>	<u>609.3</u>	<u>610.7</u>
Creditors: amounts falling due after more than one year			
	4 (597.8)	(597.7)	(597.7)
Net assets	<u>5.2</u>	<u>11.6</u>	<u>13.0</u>
Capital and reserves			
Called up share capital	-	-	-
Profit and loss account	5.2	11.6	13.0
Total shareholders' funds	<u>5.2</u>	<u>11.6</u>	<u>13.0</u>

LEGAL & GENERAL FINANCE PLC
NOTES TO THE FINANCIAL STATEMENTS

1 Accounting policies

The main accounting policies of the Company are as follows; these policies have been consistently applied to periods presented, unless otherwise stated.

(a) Basis of preparation

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

The preparation of financial statements in conformity with FRS101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are the determination of fair value for unquoted or illiquid financial instruments (Note 3).

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

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

(i) 10(d), (statement of cash flows)

(ii) 10(f) (a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements),

(iii) 16 (a statement of compliance with all IFRS),

(iv) 38A (requirement for minimum of two primary statements, including cash flow statements),

(v) 38B-D (additional comparative information),

(vi) 40A-D (requirements for a third statement of financial position)

(vii) 111 (cash flow statement information), and

(viii) 134-136 (capital management disclosures)

- IAS 7, 'Statement of cash flows'

- Paragraph 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective)

- The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group.

LEGAL & GENERAL FINANCE PLC
NOTES TO THE FINANCIAL STATEMENTS

1 Accounting policies

(a) Basis of preparation (continued)

The directors and key management of the Company had no material transactions with the Company or any other group undertakings.

The principal accounting policies are set out below.

(b) Investment income

Investment income comprises interest receivable and is recognised using the effective interest method. Dividend income is recognised when the right to receive payment is established.

(c) Dividend recognition

A dividend distribution to the Company's shareholders is recognised as a liability in the period in which the dividends are authorised and are no longer at the discretion of the Company. Final dividends are accrued when approved by the Company's shareholders at the general meeting and interim dividends are recognised when paid.

(d) Foreign currencies

Items included in the financial statements of the company are measured using the currency of the primary economic environment in which it operates (the functional currency). The financial statements are presented in Sterling (£) which is also the Company's functional currency. Transactions denominated in foreign currencies are translated into the functional currency at the rates of exchange prevailing at the time of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into Sterling at the rates of exchange prevailing at the balance sheet date. Non-monetary items are maintained at historic rates. All exchange gains or losses are recognised in the profit and loss account.

(e) Taxation

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

LEGAL & GENERAL FINANCE PLC
NOTES TO THE FINANCIAL STATEMENTS

1 Accounting policies (continued)

(f) Investments

The Company classifies its financial investments on initial recognition at fair value through profit and loss (FVTPL) or as loans and receivables. Initial recognition of financial investments is on the trade date.

Investments classified as FVTPL are measured at fair value with gains and losses reflected in the profit and loss account under Revaluation of investments held at fair value through profit and loss.

Loans and receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method.

(g) Borrowings

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

(h) Impairment

The Company reviews the carrying value of its non-FVTPL assets at each balance sheet date. Where there has been an indication that impairment has occurred, the carrying value is reduced through a charge to the profit and loss account.

2 Principal risks and uncertainties

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

a) Market infrastructure

The Company's investment and fund raising activities are reliant upon the availability of market infrastructure. The loss of a major financial centre may have a significant effect on the Company's operation and profitability.

b) Counterparties

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

c) Liquidity and cash flow

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

3 Financial investments

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

Fair value hierarchy

Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable willing parties in an arm's length transaction.

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

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

Level 1: fair values measured using quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: fair values measured using valuation techniques for all inputs significant to the measurement other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: fair values measured using valuation techniques for any input for the asset or liability significant to the measurement that is not based on observable market data (unobservable inputs).

LEGAL & GENERAL FINANCE PLC
NOTES TO THE FINANCIAL STATEMENTS

3 Financial investments (continued)

Financial assets by hierarchy levels

At 30 June 2015

	Carrying value	Level 1	Level 2	Level 3
	£m	£m	£m	£m
Debt Securities	239.9	5.0	233.1	1.8
Short term deposits	256.8	254.8	2.0	-
Derivative assets	1.7	-	1.7	-
Total financial assets	498.4	259.8	236.8	1.8

There were no transfers between levels during the period.

At 30 June 2014

	Carrying value	Level 1	Level 2	Level 3
	£m	£m	£m	£m
Debt Securities	243.7	10.1	232.1	1.5
Short term deposits	849.0	849.0	-	-
Derivative assets	3.1	-	3.1	-
Total financial assets	1,095.8	859.1	235.2	1.5

At 31 December 2014

	Carrying value	Level 1	Level 2	Level 3
	£m	£m	£m	£m
Debt Securities	294.4	10.1	282.5	1.8
Short term deposits	281.7	279.7	2.0	-
Derivative assets	0.6	-	0.6	-
Total financial assets	576.7	289.8	285.1	1.8

LEGAL & GENERAL FINANCE PLC
NOTES TO THE FINANCIAL STATEMENTS

4 Borrowings

The fair value of quoted financial debt included in the disclosures is based on current offer prices. If the market for a financial debt is not active, the Company establishes fair value by using valuation techniques such as recent arm's length transactions, reference to similar listed debt or discounted cash flow models.

	Carrying amount 30.06.15	Coupon rate 30.06.15	Fair value 30.06.15	Carrying amount 30.06.14	Coupon rate 30.06.14	Fair value 30.06.14
	£m	%	£m	£m	%	£m
Core Borrowings						
Sterling medium term notes 2031-2041	597.8	5.88	780.7	597.7	5.88	704.6
Operational borrowings						
Euro Commercial paper	40.5	0.15	40.5	122.9	0.58	122.9
	<u>638.3</u>		<u>821.2</u>	<u>720.6</u>		<u>827.5</u>

	Carrying amount 31.12.14	Coupon rate 31.12.14	Fair value 31.12.14
	£m	%	£m
Core Borrowings			
Sterling medium term notes 2031-2041	597.7	5.88	784.6
Operational borrowings			
Euro Commercial paper	73.4	0.52	73.4
	<u>671.1</u>		<u>858.0</u>

The sterling medium term notes are senior debt with a face value of £600m issued in the following tranches:

Issuance	Maturity	Face Value	Coupon rate
		£m	%
December 2000 - September 2001	December 2031	350.0	5.88
April 2001	April 2033	40.0	5.75
April 2001	April 2041	10.0	5.80
April 2002	April 2033	200.0	5.88

5 First time adoption of FRS 101

This is the first reporting period that the Company has presented its results under FRS 101. The last financial statements under UK GAAP were for the year ended 31 December 2014, with the date of transition being 1 January 2014. This entity is included in the consolidated financial statements of Legal & General Group Plc. There were no material recognition or measurement differences arising on the adoption of FRS 101.

As there have been no valuation changes arising on the adoption of FRS 101, no reconciliations have been disclosed.