

Legal & General Finance PLC
Report and Accounts
Year ended 31 December 2022

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Strategic ReportLegal & General Finance PLC
Report and Accounts 2022

The directors present their Strategic Report on Legal & General Finance PLC ('the Company') for the year ended 31 December 2022.

Principal activities

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

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

The Directors' Report and financial risk management note are on pages 7 and 25 respectively.

Business review and future developments

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

Financial review and key performance indicators

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

The profit before income tax of the Company increased to £27.4m (2021: £20.8m) mainly reflecting increased income from loans to other group companies and investments, partially offset by a rise in interest paid to other group companies. Net assets as at 31 December 2022 were £56.0m (2021: £33.9m).

Section 172(1) statement

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

Principal risks and uncertainties

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

a) Market risk

The Company is exposed to fluctuations in exchange rates which may impact income from, or the value of, assets denominated in foreign currencies. Interest rate movements can affect profits as well as potentially impacting investment and fund-raising activities. Although global economic activity has broadly returned to pre-pandemic levels, the immediate outlook remains uncertain with potential for a sustained period of very low growth and elevated levels of inflation. The Company may use derivatives to limit exposure to market risks, as deemed necessary.

b) Market infrastructure risk

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

c) Credit risk

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

d) Liquidity risk

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

e) Climate risk

The Company is exposed to climate risk through the move to a low-carbon economy and the impact this has on asset valuation and the economy.

f) Geopolitical landscape

The war in Ukraine and wider geopolitical tensions have potential for further significant disruption to global economic activity. The Group is carefully monitoring the impacts from a range of geopolitical scenarios to ensure the Company remains financially and operationally resilient to adverse events.

Strategic Report (continued)

By order of the board:

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L. Cornish

For and on behalf of Legal & General Co Sec Limited

Company Secretary

7th March 2023

Section 172(1) Statement & Stakeholder Engagement

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

As part of the wider Legal & General Group (the 'Group'), taking into account the relative size and complexity of the Company and centralised nature of the Group, the Board may consider it reasonable for decision making to be handled by the Group Board. In such cases, this will be articulated in the Statement and reference provided to the Group's Annual Report & Accounts for the year ended 2022 ('Group Annual Report & Accounts'), which can be found here: legalandgeneralgroup.com/investors/results-reports-and-presentations.

The reporting legislation around stakeholder engagement is welcomed by the Board and the commentary and table below sets out our s.172(1) Statement. This statement provides details of key stakeholder engagement undertaken by the Board during the year and how this helps the Board to factor potential impacts on stakeholders in the decision-making process. Additional details of the Group's key stakeholders and why they are important to us are set out in the Group's Annual Report & Accounts.

General

The Group promotes the highest standards of governance and ensures that these standards cascade throughout the Group and its subsidiaries. Working principles are in place for the relationship between the Group Board and the Boards of the Group's principal subsidiaries. This framework promotes full and effective interaction across all levels of the Group to support the delivery of strategy and business objectives within a framework of best corporate governance practice. A full description of the Group's governance arrangements can be found in the Group Annual Report & Accounts.

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

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

Stakeholder considerations are embedded in the decision-making of the Board and all key decision making forums throughout the Group. As part of the paper-submission process, all business propositions must demonstrate that potential impacts to all stakeholder groups have been considered. Details of the potential impacts to our key stakeholders are included in the cover sheet for each Group and subsidiary Board paper throughout the year, where relevant. For each transaction approved by the Board, including but not limited to material acquisitions and strategic expansion, discussion takes place in relation to the impact on stakeholders. The Board seeks to understand the views, priorities and issues of each stakeholder group so that these can be carefully considered by the Board. Whilst not all decisions affect every stakeholder group, the Board endeavours to balance the sometimes, conflicting needs of its stakeholders, to ensure that all groups are treated consistently and fairly.

Principal decisions

For the year ended 31 December 2022, the Board considers that the following is an example of a principal decision during the year:

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

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

Section 172(1) Statement & Stakeholder Engagement (continued)

Stakeholders & their importance to us	The Board's approach to stakeholder engagement	Outcomes and Stakeholder consideration in the Board's decision making
<p>Shareholders and Bondholders</p> <p>Our shareholders and bondholders are vital to the future success of our business, business growth and the generation of sustainable returns.</p>	<p>Our ultimate shareholder is Legal & General Group Plc, whose shareholders are institutional and individual investors who own Legal & General shares or bonds.</p> <p>Performance metrics and updates are provided by the Board to our parent company, with subsidiary performance cascaded up the Group.</p> <p>Bondholders have access to Legal & General's announcements, results and investor information through our website which has a dedicated investor section.</p>	<p>As a Board, we aim to provide clear information to our parent company and ultimate shareholders, being honest and transparent as to the performance of the business.</p> <p>Value is generated for shareholders by achieving the business plan, providing a sustainable, progressive dividend (where appropriate) and through share price performance of the ultimate shareholder, Legal & General Group Plc.</p> <p>Value is generated for bondholders by ensuring that we have the necessary financial resources to meet our payment obligations as they become due.</p>
<p>Customers</p> <p>Listening to our customers helps us to better understand their needs and provide suitable and reliable products and services.</p>	<p>Our Group teams are dedicated to making sure we constantly refine what we do – making customers feel confident that we're delivering our promises to them in everything we do.</p>	<p>The Company's principal activity is to operate as a finance company providing funding to other Group Companies. As such, it has no direct external customers and therefore, the Board consider it appropriate that customer engagement and decision making is undertaken at Group level. However, in its role as a Group finance company, the Board considers its approval of the updates to the Euro Medium Term Note Programme to be in the best interests of its internal customers, being other Group entities, by providing requisite funding for the achievement of business strategy.</p>
<p>Community / wider society</p> <p>Contributing positively to wider society enables us to create stronger communities and have a positive environmental impact.</p>	<p>The Group's purpose is to improve the lives of our customers, build a better society for the long term and create value for our shareholders. This inspires us to use our long-term assets in an economically and socially useful way to benefit everyone in our communities. Our approach to inclusive capitalism takes our belief in responsible behavior and extends it into investing in communities and cities to change people's lives for the better.</p> <p>The Group uses its own capital and policyholder's assets to make long term investments in real assets. In providing funding to the Group and its subsidiaries the Company contributes towards the Group's ability to meet its own strategic objectives and allows the Group to create value for shareholders, provide stability for pension customers and benefit communities across the UK.</p> <p>For more information on the Group's oversight of, and engagement with, climate and environmental issues, please see our Climate Report which can be found on the Group corporate website.</p> <p>For more information on the non-environmental aspects of the Group's sustainability agenda, please see our new Social Impact Report which can be found on the Group corporate website.</p>	<p>The Group initially donated £1m to the Disasters Emergency Committee to support those affected by the invasion of Ukraine. Following generous donations from our employees to support the Ukraine humanitarian appeal, the Group took the decision to match our employee's donations, taking our collective donation to £1.5m.</p> <p>The Group continued to support transactions that align with its strategic growth drivers of investing in the real economy for the benefit of society and addressing climate change</p>

Section 172(1) Statement & Stakeholder Engagement (continued)

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

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

Directors' ReportLegal & General Finance PLC
Report and Accounts 2022

The directors present their Directors' Report together with the audited financial statements of Legal & General Finance PLC ('the Company') for the year ended 31 December 2022.

Results for the year and dividend

The results of the Company are set out on page 14. The directors do not recommend the payment of a final dividend (2021: £nil) and no interim dividends were declared or paid in the year (2021: £nil).

Directors

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

S. J. Davies
M. Moore
G. O'Neill
F. B. Turley

Directors' insurance

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

Directors' indemnities (S236 of the Companies Act 2006)

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

Charitable donations

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

Political contributions

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

Modern slavery

The Group and its global subsidiaries recognise that companies have an obligation to ensure that their business and supporting supply chains are slavery free. Legal & General's full modern slavery statement can be found at legalandgeneralgroup.com/csr/modern-slavery-statement/.

Internal control and risk management framework

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

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

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

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

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

Directors' Report (continued)**Statement of directors' responsibilities**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law, including FRS 101 Reduced Disclosure Framework.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of its profit or loss for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable and prudent;
- state whether they have been prepared in accordance with UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

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

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

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

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- the strategic report / directors' report includes a fair review of the development and performance of the business and the position of the issuer, together with a description of the principal risks and uncertainties that they face.

Disclosure of information to auditors

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

- a) so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- b) they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

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

Independent auditors

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

By order of the Board:

DocuSigned by:

Leanne Cornish

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L. Cornish

For and on behalf of Legal & General Co Sec Limited

Company Secretary

7 March 2023

Company number 02338444

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LEGAL & GENERAL FINANCE PLC**1 Our opinion is unmodified**

We have audited the financial statements of Legal & General Finance PLC ("the Company") for the year ended 31 December 2022 which comprise the Statement of Comprehensive Income, Balance Sheet and Statement of Changes in Equity and the related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework* and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the Board of Directors.

We were first appointed as auditor by the directors on 17 May 2018. The period of total uninterrupted engagement is for the five financial years ended 31 December 2022. We have fulfilled our ethical responsibilities under, and we remain independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

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

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters unchanged from 2021, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

	The risk	Our response
<p>Recoverability of intercompany balances due from group entities (£2 billion; 2021: £1.81 billion) <i>Refer to page 18 (accounting policy) and page 22 (financial disclosures).</i></p>	<p>Low risk, high value The carrying amount of the intra-group balance represents 61% (2021: 54%) of the Company's total assets.</p> <p>Their recoverability is not at a high risk of significant misstatement or subject to significant judgement. However, due to their materiality in the context of the Company's financial statements, this is considered to be the area that had the greatest effect on our overall Company audit and as such is reported as a Key Audit Matter.</p>	<p>We performed the tests below rather than seeking to rely on any of the Company's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described.</p> <p>Our procedures included:</p> <ul style="list-style-type: none"> — Tests of detail: Assessing 100% of intercompany debtors to identify, with reference to the relevant debtors' financial information, whether they have a positive net asset value and therefore coverage of the debt owed, as well as assessing whether those debtor companies have historically been profit-making, liquidity position and consider group support mechanisms if necessary. <p>Our results:</p> <p>We found the conclusion that there is no impairment of the intercompany debtor balance to be acceptable. (2021: acceptable).</p>

Company number 02338444**3 Our application of materiality and an overview of the scope of our audit**

Materiality for the financial statements as a whole was set at £16 million (2021: £16.1 million), determined with reference to a benchmark of normalized total assets £3,052 million (2021: £2,932). We normalised the total assets by averaging over 5 years (2021: 5 years) to account for volatility in the materiality benchmark.

In addition, we applied materiality of £1,000 (2021: £1,000) to disclose directors remuneration balance for which we believe misstatements of lesser amounts than materiality for the financial statements as a whole could be reasonably expected to influence the Company's members' assessment of the financial performance of the Company.

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

Performance materiality was set at 75% (2021: 64.6%) of materiality for the financial statements as a whole, which equates to £12 million (2021: £10.4 million). We applied this percentage in our determination of performance materiality because we did not identify any factors indicating an elevated level of risk.

We agreed to report to those charged with governance any corrected or uncorrected identified misstatements exceeding £800k (2021: £724k), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Our audit of the Company was undertaken to the materiality level specified above and was performed by a single audit team.

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

4 Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

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

- The deterioration in the valuation of the Company's investments arising from a significant change in the economic environment
- The ability of the Company to recover amounts due from group entities. The recoverability of these balances is inextricably linked to the performance of the L&G group companies to which it lends money.

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

Since the entity may need financial support from other group entities if these risks crystallise, we assessed the risk that this support would not be available. We inspected the group's intention to provide this support, examined the parent company's financial statements to assess its ability to provide this support over the period of the audited entity's going concern assessment, and assessed the business reasons why the group may or may not choose to provide this support.

We considered whether the going concern disclosure in note 1 to the financial statements gives an appropriate description of the directors' assessment of going concern, including the identified risks, and dependencies.

Our conclusions based on this work:

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

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Company will continue in operation.

Company number 02338444**5 Fraud and breaches of laws and regulations – ability to detect****Identifying and responding to risks of material misstatement due to fraud**

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud.

- Enquiring of directors, risk management committee and internal audit head of the Legal & General Group plc ("Group") as to the Company's high-level policies and procedures to prevent and detect fraud, as well as whether they have knowledge of any actual, suspected or alleged fraud;
- Reading Board minutes; and
- Considering remuneration incentive schemes and performance targets for management.

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

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

We did not identify any additional fraud risks.

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

We also performed procedures including identifying journal entries and other adjustments to test on high-risk criteria and comparing the identified entries to supporting documentation. These included, but were not limited to, journal entries containing key words e.g. reversal, restatement, reclassification, journal entries made by individuals who typically do not make journal entries or are not authorized to post journal entries, journal entries posted without a user ID, journal entries recorded at the end of the period or as post-closing entries that have little or no explanation or description, duplicate entries, journals impacting cash balances that were identified as unusual or unexpected in our risk assessment procedures.

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

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

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

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

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

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

Secondly, the Company is subject to other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: Compliance with the Disclosure Guidance and transparency rules sourcebook issued by FCA. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

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

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

Company number 02338444

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

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

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

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic report and Directors' report

Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

7 We have nothing to report on the other matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

8 Respective responsibilities**Directors' responsibilities**

As explained more fully in their statement set out on page 8, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

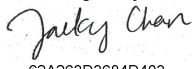
A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

9 The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Company number 02338444

Legal & General Finance PLC
Report and Accounts 2022

DocuSigned by:

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Jacky Chan (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
KPMG LLP
15 Canada Square,
London, E14 5GL

7 March 2023

Company number 02338444Legal & General Finance PLC
Report and Accounts 2022**Statement of Comprehensive Income**

For the year ended 31 December 2022

	Notes	2022 £m	2021 £m
Finance income			
Income received from loans to group undertakings	1B/7	86.8	70.3
Investment return	1B/7	15.3	0.9
Total finance income		102.1	71.2
Finance costs			
Interest paid to group undertakings		(35.0)	(10.9)
Other finance costs	13	(36.2)	(35.4)
Total finance costs		(71.2)	(46.3)
Administrative expenses	3	(3.5)	(4.1)
Profit before income tax			
Income tax expense	1E/8	(5.3)	(4.2)
Profit for the financial year and total comprehensive income		22.1	16.6

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

Company number 02338444

Legal & General Finance PLC
Report and Accounts 2022**Balance Sheet**

As at 31 December 2022

	Notes	2022 £m	2021 £m
Non-current assets			
Financial investments	1F/1H/9	601.2	601.2
Receivables	1G/1H/11	1,347.8	1,064.5
Current assets			
Financial investments	1F/1K/10	1,251.8	1,519.4
Receivables	1G/1H/11	64.7	138.9
Cash and cash equivalents	1I/12	5.7	1.8
Total assets		3,271.2	3,325.8
Non-current liabilities			
Borrowings	1J/13	598.4	598.3
Other payables and financial liabilities	14	671.0	596.0
Current liabilities			
Borrowings	1J/13	60.5	60.8
Other payables and financial liabilities	1K/14	1,885.3	2,036.8
Total liabilities		3,215.2	3,291.9
Net assets		56.0	33.9
Equity			
Share capital	15	-	-
Retained earnings and capital contributions		56.0	33.9
Total shareholders' equity		56.0	33.9

The notes on pages 17 to 27 form an integral part of these financial statements.

The financial statements on pages 14 to 16 were approved by the Board of directors on 7 March 2023 and were signed on their behalf by:

DocuSigned by:

 2D7268036031441...
G. O'Neill
 Director

Company number 02338444

Legal & General Finance PLC
Report and Accounts 2022

Statement of Changes in Equity

	Called up share capital £m	Retained earnings and capital contributions £m	Total equity £m
For the year ended 31 December 2022			
As at 1 January	-	33.9	33.9
Total comprehensive income for the year	-	22.1	22.1
As at 31 December 2022	-	56.0	56.0
For the year ended 31 December 2021			
As at 1 January	-	17.3	17.3
Total comprehensive income for the year	-	16.6	16.6
As at 31 December 2021	-	33.9	33.9

1. Summary of significant accounting policies

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

A Basis of preparation

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

The preparation of financial statements, in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are the determination of fair value for unquoted or illiquid financial instruments.

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

- The following paragraphs of IAS 1, 'Presentation of financial statements':
 - 10(d), (statement of cash flows),
 - 16 (a statement of compliance with all IFRS),
 - 38A (requirement for minimum of two primary statements, including cash flow statements),
 - 38B-D (additional comparative information),
 - 111 (cash flow statement information),
- IAS 7, 'statement of cash flows'
- Paragraphs 91 to 99 of IFRS 13 Fair Value Measurement to the extent they do not apply to financial instruments
- Paragraph 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective)
- The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group.

B Finance income

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

C Distributions

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

D Foreign currencies

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

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

E Taxation

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

Notes to the Financial Statements**F Financial Investments**

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

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

Financial assets are measured at amortised cost if the following conditions are met:

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

Financial assets are measured at FVOCI if the following conditions are met:

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

All other financial assets are measured subsequently at FVTPL.

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

Financial assets which fail the SPPI test and /or fail the business model test are classified and measured at FVTPL. Notwithstanding the criteria for financial assets to be classified at amortised cost or at FVOCI, as described above, financial assets may be designated at FVTPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Assets that are held at FVTPL include derivative assets which are held for trading and not designated as effective hedging instruments and financial assets designated at FVTPL.

Loans to group undertakings are subsequently measured at amortised cost. All other financial investments are measured at FVTPL.

A gain or loss on a financial asset that is subsequently measured at FVTPL is recognised in the Statement of Comprehensive Income within finance income.

All financial contracts referencing GBP LIBOR were amended by 31 December 2021. Transition from USD LIBOR has been gradual as a result of the transition date moving to 30 June 2023, however the Company has no material financial instruments currently subject to the IBOR reform on its balance sheet at 31 December 2022 which have not yet transitioned to SONIA or an alternative interest rate benchmark.

G Receivables

Receivables are initially measured at fair value plus acquisition costs, and subsequently measured at amortised cost using the effective interest method.

H Impairment

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

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

Expected credit losses are calculated by considering the probability of default, the loss given default and the exposure at default. The probability of default is determined by reference to available third party information, or using qualitative information available to the Company, and depends on whether a financial asset requires determination of a 12-month expected credit loss or lifetime credit loss.

Notes to the Financial Statements**H Impairment (continued)**

The loss given default is determined with reference to any exposure reducing instruments such as collateral or liquid assets that the counterparty may have. The exposure at default is determined as the amount of the loan balance outstanding at the reporting date.

Generally, the Company considers a financial instrument defaulted, and therefore credit-impaired for ECL calculations, in cases when the counterparty becomes 90 days past due on its contractual payments. The Company may also consider an instrument to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full.

I Cash and cash equivalents

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

J Borrowings

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

K Derivative assets and liabilities

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

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

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

L Going concern

Notwithstanding a net current liability as at 31 December 2022 of £624m the financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons. Both the Company's performance and outlook have been assessed using the information available up to the date of issue of these financial statements. In the extreme event that all current liabilities became due, actions can be put in place to enable the Company to meet those commitments, such as drawing upon funding from Legal & General Group Plc. Legal & General Group Plc existing and past practice indicates an intent to continue to make available such funds as are needed by the Company during the going concern assessment period. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

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

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

There were no new standards, interpretations and amendments to published standards applicable to the Company.

N Exchange rates

	United States dollar	Euro	United States dollar	Euro
	2022	2022	2021	2021
Principal rates of exchange used for translation are:				
Closing exchange rates at 31 December	1.21	1.13	1.35	1.19
Average exchange rates for the year ended 31 December	1.24	1.17	1.38	1.16

Notes to the Financial Statements**2. Segmental disclosure**

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

3. Administrative expenses

Administrative expenses include £0.5m (2021: £1.2m) of expected credit losses and auditors' remuneration of £40.2k (2021: £36.5k) wholly in relation to audit work. The auditor received no fees (2021: £nil) for non-audit services on the Company's behalf.

4. Foreign exchange

Foreign exchange revaluation gains / (losses) recognised in the Statement of Comprehensive Income were £4.6m (2021: £(0.3)m).

5. Employee costs and pension

The Company does not have direct employees since they are employed by a fellow subsidiary of Legal & General Group Plc, Legal & General Resources Limited (2021: nil). The Company is recharged a proportion of the staff costs incurred by the parent.

6. Directors' emoluments

	2022	2021
	£'000	£'000
Short-term employment benefits	323.2	280.5
Compensation to directors for loss of office	-	4.4
Aggregate emoluments¹	323.2	284.9

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

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

Retirement benefits are not accruing to any of the directors under a defined benefit pension scheme (2021: no directors).

In total the directors exercised share options over 5,110 shares under the Group's share schemes in the year (2021:4,038).

Highest paid director:	2022	2021
	£'000	£'000
Aggregate emoluments (incl. retirement benefits)	273.8	246.4

The highest paid director has accrued £nil (apportioned Company contribution) of retirement benefits in 2022 (2021: £nil).

Directors' loans

At 31 December 2022 there were no loans to directors (2021: none).

Directors' transactions and arrangements

No director had any material interest in any contract or arrangement of significance in relation to the business of the Company during 2022.

7. Finance income

Income from loans to group undertakings of £86.8m (2021: £70.3m) relates to interest income from loans to fellow group subsidiaries and the Company's parent, including £3.6m (2021: £(0.3)m) of foreign exchange revaluation gains / (losses).

Included within investment return is £13.3m (2021: £0.8m) of income from investments in managed funds, £1.3m (2021: £0.1m) of income from other investments, and fair value gains of £0.7m (2021: £nil).

8. Tax on profit on ordinary activities

	2022	2021
	£m	£m
Profit before tax	27.4	20.8
UK corporation tax at 19% (2021: 19%)	5.2	4.0
Effects of:		
Disallowable expenses	0.1	0.2
Total income tax expense	5.3	4.2

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

To calculate the current tax on profits, the rate of tax used is 19.0% (2021: 19.0%), which is the average rate of Corporation Tax applicable for the year.

9. Financial investments, non-current

	2022	2021
	£m	£m
Loans to group undertakings	601.2	601.2

The investments above are neither past due nor impaired. The loans to group undertakings are held at amortised cost. The terms of the loans, interest rates and maturity dates are based on the sterling medium term notes set out in Note 13. The fair value of the loans is £649.3m (2021: £845.7m). The loans are classified as level 2 in the fair value hierarchy.

10. Financial investments, current

All of the financial investments are mandatorily measured at fair value through profit or loss, which includes derivative assets which are held for trading.

A Financial investments at fair value

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

	2022	2021
	£m	£m
Financial investments at fair value:		
Managed funds	1,235.1	1,507.1
Derivative assets	6.7	2.3
Reverse repurchase agreements	10.0	10.0
Total financial investments at fair value	1,251.8	1,519.4

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

B Financial assets by hierarchy levels

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

10. Financial investments, current (continued)

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

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

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

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

All of the Level 2 assets have been valued using either standard market pricing sources or observable market prices.

As at 31 December 2022	Carrying value £m	Level 1 £m	Level 2 £m	Level 3 £m
Managed funds	1,235.1	1,235.1	-	-
Derivative assets	6.7	-	6.7	-
Reverse repurchase agreements	10.0	-	10.0	-
Total financial assets	1,251.8	1,235.1	16.7	-

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

There were no transfers between levels during the period.

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

11. Receivables

	2022 £m	2021 £m
Amounts owed by group undertakings	1,414.2	1,204.6
Allowance for expected credit loss	(1.7)	(1.2)
Total amounts owed by group undertakings	1,412.5	1,203.4

None of the receivables above are past due and £0.5m of expected credit losses has been recognised in the year (2021:1.2m).

12. Cash and cash equivalents

	2022 £m	2021 £m
Cash at bank and in hand	5.7	1.8

Notes to the Financial Statements

13. Borrowings

	Carrying amount 2022 £m	Weighted average coupon rate 2022 %	Fair value 2022 £m
Core borrowings			
Sterling medium term notes 2031 - 2041	598.4	5.87	649.3
Operational borrowings			
Euro commercial paper	49.8	1.60	49.8
Total borrowings¹	648.2	-	699.1

1. Total borrowings excludes accrued interest of £10.7m (2021: £10.8m) on sterling medium term notes

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

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

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

13. Borrowings (continued)**Analysis by nature and maturity**

	Maturity profile of undiscounted cash flows					Total £m
	Carrying amount £m	Within 1 year £m	1-5 years £m	5-15 years £m	15-25 years £m	
As at 31 December 2022						
Core borrowings						-
Sterling medium term notes 2031 - 2041	598.4	-	-	590.0	10.0	600.0
Operational borrowings						
Euro commercial paper	49.8	49.8	-	-	-	49.8
	648.2	49.8	-	590.0	10.0	649.8
Contractual undiscounted interest payments		35.2	140.8	171.3	2.3	349.6
Total contractual undiscounted cash flows		85.0	140.8	761.3	12.3	999.4

During 2022 interest expenses of £36.2m (2021: £35.4m) was incurred on external debt issued.

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

14. Other payables and financial liabilities

	2022 £m	2021 £m
Amounts owed to group undertakings	2,548.3	2,623.1
Other payables	0.5	3.2
Income tax payable	5.3	4.2
Derivative liabilities	2.2	2.3
Total other payables and financial liabilities	2,556.3	2,632.8

Derivative liabilities are held for trading and measured at fair value through profit or loss. All other financial liabilities are held at amortised cost.

Included within amounts owed to group undertakings are those due within 12 months, totalling £1,877.3 m (2021: £2,027.1m), the fair value of which is equivalent to their carrying values. Amounts owed to group undertakings of £671.0m are due after 12 months and have a fair value of £584.2m. Amounts owed to group undertakings are unsecured. Other payables and financial liabilities are classified as level 2 in the fair value hierarchy.

15. Share capital

	2022 Number of shares	2022 £	2021 Number of shares	2021 £
Alloted and partly paid:				
Ordinary shares of £1 each partially paid of 25p each	50,000	12,500	50,000	12,500

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

16. Parent and ultimate holding company

The immediate and ultimate parent company, and the smallest and largest group to consolidate these financial statements, is Legal & General Group Plc, a company incorporated in England and Wales. These financial statements, therefore, provide information about the Company as an individual undertaking. Copies of the financial statements of the ultimate holding company, Legal & General Group Plc, are available on the Group website, legalandgeneralgroup.com or from the Company Secretary at the Registered Office, One Coleman Street, London, EC2R 5AA, United Kingdom.

17. Financial risk management**Management of risk**

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

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

Control framework

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

Risk review function

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

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

Market risk**A Currency**

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

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

During the year there were no material net exposures.

17. Financial risk management (continued)**B Interest rate risk**

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

The Company's borrowings comprise the current and long-term liabilities set out in Note 13. All of the Company's borrowings were fixed rate loans under the medium term note and commercial paper programmes throughout the year and at 31 December 2022. The fixed rate loans in operation were lent to another group company on a fixed rate basis with the same maturities on an arm's length basis.

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

A sensitivity analysis performed showed that +100 / - 50 basis points movement in interest rates would (decrease) / increase profit before income tax by (£1.6m) / £0.8m (2021: (£2.2m) / £1.1m). The impacts may arise from asset and/or liability movements under the sensitivities.

C Exposure to worldwide equity markets

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

Market infrastructure risk

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

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

Credit risk

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

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

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

	AA	A	B	Total
As at 31 December 2022	£m	£m	£m	£m
Reverse repurchase agreements	-	10.0	-	10.0
Derivative assets	-	5.9	0.8	6.7
Cash and cash equivalents	3.9	1.8	-	5.7
Total	3.9	17.7	0.8	22.4

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

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

17. Financial risk management (continued)

Liquidity risk

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

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

Climate risk

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

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

Capital management

The Company's capital is determined with reference to the requirements of the Company's stakeholders. In managing capital we seek to maintain sufficient, but not excessive, financial strength to support funding of the Legal & General Group, payment of dividends and the requirements of other stakeholders. The sources of capital used by the Company are equity shareholders' funds and retained earnings arising from the Company's operations. At 31 December 2022 the Company had £12,500 of ordinary share capital and £56.0m of retained earnings.

18. Commitments

The Company has eight loan agreements under which it is committed to provide funding of £745.0m at 31 December 2022 (2021: £480.0m) to fellow group subsidiaries. Of this, £675.0m was drawn as at 31 December 2022 (2021: £466.4m). The agreements expire as follows: £5.0m on 30 June 2024, £175.0m on 31 December 2024, £70.0m on 17 June 2029, £65.5m on 20 October 2029, £29.3m on 24 October 2029, £100.0m on 5 December 2029 and £300m on 28 February 2031.

19. Post balance sheet events

There were no adjusting or non-adjusting post balance sheet events between 31 December 2022 and the approval of the report and accounts of the Company.