

02338444

LEGAL & GENERAL FINANCE PLC

INTERIM REPORT

FOR THE SIX MONTHS ENDED

30 JUNE 2016

LEGAL & GENERAL FINANCE PLC
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Registered Office
One Coleman Street
London
EC2R 5AA

Registered in England and Wales number 02338444

LEGAL & GENERAL FINANCE PLC
DIRECTORS' REPORT

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 £4bn 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 2016 the Company paid a dividend of £1.1m (30.06.15: Interim dividend of £8m).

The directors review a range of performance indicators to monitor the performance of the Company. Profit on ordinary activities before taxation 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 30.06.16 was £15.0m (30.06.15: £0.3m; 31.12.15: £1.8m). Shareholders' funds as at 30 June 2016 were £16.9m (30.06.15: £5.2m; 31.12.15: £6.1m).

Principal risks and uncertainties

The Company's business involves the acceptance and management of risk. The principal risks and uncertainties facing the Company are given below. These uncertainties are unchanged from the year ended 31 December 2015 and are explained in detail in note 16 of these Annual Accounts.

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.

LEGAL & GENERAL FINANCE PLC
DIRECTORS' REPORT

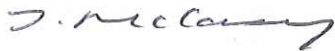
c) Liquidity and cash flow

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 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.

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 Director's Report contains a true and fair review of the assets, liabilities and financial position of the company. The report also 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.



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

Date: 9 August 2016



A.C. Price
Director
Registered number: 02338444
Registered Office: One Coleman Street
London EC2R 5AA

Date: 9 August 2016

LEGAL & GENERAL FINANCE PLC
INCOME STATEMENT

For the period ended 30 June 2016

	Note	30.06.16	30.06.15	31.12.15
		£m	£m	£m
Administrative expenses		(1.0)	(0.9)	(1.6)
Finance and similar income				
Group undertakings		19.9	18.8	37.9
Other		4.5	3.2	6.6
		<u>24.4</u>	<u>22.0</u>	<u>44.5</u>
Finance and similar costs				
Group undertakings		(3.9)	(1.7)	(4.2)
Other		(17.8)	(17.8)	(35.6)
		<u>(21.7)</u>	<u>(19.5)</u>	<u>(39.8)</u>
Revaluation of investments held at fair value through profit and loss		13.3	(1.3)	(1.3)
Profit on ordinary activities before income tax		15.0	0.3	1.8
Income tax expense		(3.0)	(0.1)	(0.7)
Profit on ordinary activities for the year		12.0	0.2	1.1

All gains and losses which arose during the period have been reflected in the Income Statement 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.

**LEGAL & GENERAL FINANCE PLC
BALANCE SHEET**

02338444

As at 30 June 2016

	Note	30.06.16	30.06.15	31.12.15
		£m	£m	£m
Non-Current Assets				
Investments		601.2	601.2	601.2
Current Assets				
Financial investments	3	946.5	458.4	1,612.5
Other receivables		265.7	98.4	53.5
Cash and cash equivalents		49.6	162.0	56.2
		<u>1,261.8</u>	<u>718.8</u>	<u>1,722.2</u>
Total Assets		<u>1,863.0</u>	<u>1,320.0</u>	<u>2,323.4</u>
Non-Current Liabilities				
Borrowings	4	(597.8)	(597.8)	(597.8)
Current Liabilities				
Borrowings	4	(103.0)	(40.5)	(15.2)
Other payables		(1,145.3)	(676.5)	(1,704.3)
		<u>(1,248.3)</u>	<u>(717.0)</u>	<u>(1,719.5)</u>
Total Liabilities		<u>(1,846.1)</u>	<u>(1,314.8)</u>	<u>(2,317.3)</u>
Net assets		<u>16.9</u>	<u>5.2</u>	<u>6.1</u>
Equity				
Share capital		-	-	-
Retained earnings		16.9	5.2	6.1
Total Equity		<u>16.9</u>	<u>5.2</u>	<u>6.1</u>

The financial statements on pages 4 to 8 were approved by the board of directors on 09 August 2016 and signed on its behalf by:

Andrew Price
Director
Registered number: 02338444
Registered Office:
One Coleman Street
London EC2R 5AA

LEGAL & GENERAL FINANCE PLC
NOTES TO THE FINANCIAL STATEMENTS

1 Accounting policies

(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 accounting policies applied are consistent with those disclosed in the 2015 financial statements of the Company.

The financial information contained in this Interim Report does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. The financial information for the half-year periods ended 30 June 2015 and 30 June 2016 has not been audited or reviewed by the Company's Auditor. The figures and financial information for the year ended 31 December 2015 are an extract from the latest published audited financial statements. Those accounts have been delivered to the Registrar of Companies and include the report of the Auditor, which was unqualified and did not contain a statement under either Section 498(2) or 498(3) of the Companies Act 2006.

(b) Going concern

The Directors are satisfied that the Company has adequate resources to continue in operational existence for the foreseeable future (being a period of at least 12 months from the date that this half yearly financial report is approved) and is financially sound. For this reason, they continue to adopt the going concern basis in preparing the financial statements. The Company has a portfolio of investments which is considered to be readily realisable and is able to meet all of its liabilities from its assets and the income generated from these assets. Ongoing charges (excluding performance fee and finance costs) for the period ended 30 June 2016 were approximately 3% of net assets.

2 Financial investments

(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.

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 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.

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 2016

	Carrying value	Level 1	Level 2	Level 3
	£m	£m	£m	£m
Equity securities	854.1	854.1	-	-
Debt securities	86.5	0.1	84.8	1.6
Accrued interest	0.1	-	0.1	-
Derivative assets	5.8	-	5.8	-
Total financial assets	946.5	854.2	90.7	1.6

There were no transfers between levels during the period.

At 30 June 2015

	Carrying value	Level 1	Level 2	Level 3
	£m	£m	£m	£m
Equity securities	214.8	214.8	-	-
Debt securities	241.7	5.0	234.9	1.8
Accrued interest	0.2	-	0.2	-
Derivative assets	1.7	-	1.7	-
Total financial assets	458.4	219.8	236.8	1.8

At 31 December 2015

	Carrying value	Level 1	Level 2	Level 3
	£m	£m	£m	£m
Equity securities	1,455.8	1,455.8	-	-
Debt securities	156.5	5.2	91.8	59.5
Accrued interest	0.2	0.1	0.1	-
Derivative assets	-	-	-	-
Total financial assets	1,612.5	1,461.1	91.9	59.5

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 30.06.16 £m	Coupon rate 30.06.16 %	Fair value 30.06.16 £m	Carrying amount 30.06.15 £m	Coupon rate 30.06.15 %	Fair value 30.06.15 £m
Core Borrowings						
Sterling medium term notes						
2031-2041	597.8	5.87	801.5	597.8	5.87	780.7
Operational borrowings						
Euro Commercial paper	103.0	0.77	103.0	40.5	0.15	40.5
	700.8		904.5	638.3		821.2

	Carrying amount 31.12.15 £m	Coupon rate 31.12.15 %	Fair value 31.12.15 £m
Core Borrowings			
Sterling medium term notes			
2031-2041	597.8	5.87	768.7
Operational borrowings			
Euro Commercial paper	15.2	0.47	15.2
	613.0		783.9

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

Issuance	Maturity	Face Value £m	Coupon rate %
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