

Legal & General Finance PLC
Annual report and financial statements for the year ended
31 December 2019

FY 2019

Legal & General Finance PLC
02338444

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

STRATEGIC REPORT

The directors present their Strategic Report on Legal & General Finance PLC (the "Company") for the year ended 31 December 2019.

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. 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 subsidiaries ("the group"). It does this by raising finance from capital markets. In fulfilling this role, the Company issues listed debt through Legal & General Group Plc's £5bn Euro 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 Strategic Report and financial risk management notes are on pages 3 and 23 to 25 respectively.

Review of business 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 on ordinary activities before tax and net assets are regarded as the principal key performance indicators.

The profit on ordinary activities before tax of the Company for 2019 was £2.7m (2018: £1.1m). Net assets as at 31 December 2019 were £8.1m (2018: £5.9m).

Section 172(1) Statement

The Company's Section 172(1) Statement is on pages 6 to 8.

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, which comprise 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 18. 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

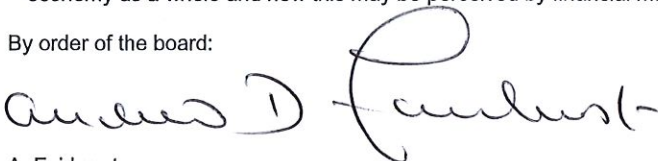
A number of major banks operate as counterparties for the investments of the Company. Whilst the Company ensures that it only transacts with strongly rated counterparties, and it regularly reviews its exposures, the financial failure of a significant counterparty could result in disruption and financial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

c) Liquidity and cash flow

Liquidity risk is 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.

Our regulatory and legislative landscape also continues to evolve, and whilst as a UK focused business, our operating model is not materially impacted by the UK leaving the European Union, there remains uncertainty to the final out-turn for the UK economy as a whole and how this may be perceived by financial markets.

By order of the board:



A. Fairhurst
For and on behalf of Legal & General Co Sec Limited

Company Secretary
3 March 2020

LEGAL & GENERAL FINANCE PLC

DIRECTORS' REPORT

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 2019.

Results for the year and dividend

The results of the Company are set out on page 12. The directors do not recommend the payment of a final dividend (2018: interim dividend £5.3m, final dividend nil).

Directorate

The directors of the Company, who served 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:

F.B.Turley
G. O'Neill
M.J. Brookes
S.J. Davies
J.J. Cummins (appointed 30 January 2020)

Directors' Indemnities and 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. 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.

Legal & General Group Plc and its global subsidiaries ("the group") 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 <https://www.legalandgeneralgroup.com/>.

Going concern

No material uncertainties that cast significant doubt about the ability of the Company to continue as a going concern have been identified by the directors.

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 18.

The day to day operations of the Company are managed by the Legal & General group's treasury function.

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.

LEGAL & GENERAL FINANCE PLC

DIRECTORS' REPORT

Statement of directors' responsibilities

The directors are responsible for preparing the annual 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 the directors have prepared the financial statements in accordance with United Kingdom (UK) Generally Accepted Accounting Practice (GAAP) (UK Accounting Standards, comprising FRS 101 'Reduced Disclosures Framework', and applicable law). 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 the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable UK Accounting Standards, comprising FRS 101, have been followed for the Company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable, relevant, reliable and prudent;
- assess the Company's ability to continue as a going concern and whether the use of the going concern basis is appropriate, as well as disclose, if applicable, matters relating to going concern; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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 the financial statements comply with the Companies Act 2006.

They are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

The directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Each of the directors who held office at the date this report was approved, whose names are listed in the directorate section, confirm that, to the best of their knowledge:

- the Company's financial statements, which have been prepared in accordance with UK GAAP (UK Accounting Standards, comprising FRS 101 'Reduced Disclosures Framework' and applicable law), give a true and fair view of the assets, liabilities, financial position and profit of the company
- the Strategic report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

Disclosure of information to auditors

In accordance with Section 418 of the Companies Act 2006, each of the directors who held office at the date this report was approved, confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware.
- 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.

By order of the Board:



A. Fairhurst
For and on behalf of Legal & General Co Sec Limited

Company Secretary
3 March 2020

LEGAL & GENERAL FINANCE PLC

SECTION 172(1) STATEMENT & STAKEHOLDER ENGAGEMENT

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

As part of the wider Legal & General Group (the “group”), taking into account the relative size of the Company and centralised nature of the group, the Board may consider it reasonable for decision making to be handled by the Group Board. In such cases, this will be articulated in the statement and reference provided to the appropriate section of the Group’s Annual Report & Accounts.

The new 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 Our Stakeholders section in the Group’s Annual Report & Accounts, which can be found at:

<https://www.legalandgeneralgroup.com/investors/results-reports-and-presentations/>

General

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

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 Act. 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.

Last year we implemented a new standard practice across the group which requires that all group and subsidiary board papers demonstrate that stakeholders have been considered. Details of this have been included in the cover sheet for each group and subsidiary board paper throughout the year where relevant. For each transaction approved by the Board, including but not limited to material acquisitions and strategic expansion, discussion takes place around employee impact and impact on other stakeholders, such as customers. The relevance of each stakeholder group may vary by reference to the issue in question, so the Board seeks to understand the needs of each stakeholder group and any potential conflicts as part of its decision-making. Additionally, the group or subsidiary company secretary is on hand to provide support to the board in ensuring that sufficient consideration and time is given to stakeholder issues during these discussions.

Principal decisions

For the year ending 31 December 2019, the Board consider that the following are examples of principal decisions that it made in the year:

- Consideration of the final dividend.
- Further issuance under the US Euro Commercial Paper Programme (the “ECP Programme”).
- Approval of the update to the Euro Medium Term Note Programme (the “EMTN Programme”).

LEGAL & GENERAL FINANCE PLC

SECTION 172(1) STATEMENT & STAKEHOLDER ENGAGEMENT

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

Stakeholders Their importance to us	Our approach to stakeholder engagement	Stakeholder consideration in the Board's decision making
<p>Shareholders</p> <p>Our shareholders and bondholders are vital to the future success of our business, providing funds which aid business growth and the generation of returns.</p>	<p>Our ultimate shareholders, through our parent company, are institutional and individual investors who own securities in our parent, Legal & General Group plc.</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, our bondholders and ultimate shareholders, being honest and transparent as to the performance of the business. Value is generated for shareholders by supporting the overall group to deliver on the business plan.</p>
<p>Customers</p> <p>Listening to our customers, who are internal to the group, helps us to better understand their needs and provide suitable and reliable funding and liquidity.</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>Further information on the Group's customer engagement and decision making can be found in the Group's s.172(1) Statement and Customer Focus section of the Group Annual Report and Accounts.</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 EMTN Programme was 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>Our purpose is to improve the lives of our customers, build a better society for the long term and create value for our shareholders. This inspires us to use our long-term assets in an economically and socially useful way to benefit everyone in our communities. Our approach to inclusive capitalism takes our belief in responsible behaviour and extends it into investing in communities and cities to change people's lives for the better.</p> <p>The Group's full Corporate Responsibility Report can be found here: https://www.legalandgeneralgroup.com/csr/csr-reports/</p>	<p>We use our own capital and our policyholder's assets to make long term investments in real assets. This allows us to create value for shareholders, provide stability for pension customers and benefit communities right across the UK.</p> <p>The group has a Group Corporate Responsibility & Ethics ("GCRE") Committee which has responsibility and oversight of such matters. The Group Board approve the GCRE Policy on an annual basis and this is implemented across the group.</p> <p>A senior leadership event, held in November 2019, and attended by the Company's directors, focussed on how business leaders should respond to the climate change challenge.</p>

LEGAL & GENERAL FINANCE PLC

SECTION 172(1) STATEMENT & STAKEHOLDER ENGAGEMENT

While s.172(1) requires consideration of all stakeholders, including employees and suppliers, due to the nature of the Company's operations within the wider 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:

<https://www.legalandgeneralgroup.com/investors/results-reports-and-presentations/>

LEGAL & GENERAL FINANCE PLC INDEPENDENT AUDITORS' REPORT

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 2019 which comprise the Income Statement, Balance Sheet, Statement of Changes in Equity, and the related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of Company's affairs as at 31 December 2019 and of the profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

We were first appointed as auditor by the Directors on 17 May 2018. The period of total uninterrupted engagement is for the two financial years ended 31 December 2019. 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 judgment, 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 determined that there were no key audit matters applicable to the Company to communicate in our report (unchanged from 2018).

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

Legal & General Finance Plc is part of a group headed by Legal and General Group Plc. Materiality of £21.0m (2018: £14.0m), as communicated by the group audit team, has been applied to the audit of the Company. This is lower than the materiality we would otherwise have determined by reference to total assets, and represents 0.92% of the Company's total assets (2018: 0.69%).

We agreed to report to those charged with governance any corrected or uncorrected identified misstatements exceeding £1.0 million, in addition to other identified misstatements that warranted reporting on qualitative grounds.

4 We have nothing to report on 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").

Our responsibility is to conclude on the appropriateness of the Directors' conclusions and, had there been a material uncertainty related to going concern, to make reference to that in this audit report. 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 absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Company will continue in operation.

In our evaluation of the Directors' conclusions, we considered the inherent risks to the Company's business model and analysed how those risks might affect the Company's financial resources or ability to continue

LEGAL & GENERAL FINANCE PLC

INDEPENDENT AUDITORS' REPORT

operations over the going concern period. The risks that we considered most likely to adversely affect the Company's available financial resources over this period was:

- Deterioration in the valuation of the Company's investments arising from a significant change in the economic environment.

As these were risks that could potentially cast significant doubt on the Company's ability to continue as a going concern, we considered sensitivities over the level of available financial resources indicated by the Company's financial forecasts taking account of reasonably possible (but not unrealistic) adverse effects that could arise from these risks individually and collectively and evaluated the achievability of the actions the Directors consider they would take to improve the position should the risks materialise. We also considered less predictable but realistic second order impacts, such as the impact of Brexit and the erosion of customer or supplier confidence, which could result in a rapid reduction of available financial resources.

Based on this work, we are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements.

We have nothing to report in these respects, and we did not identify going concern as a key audit matter.

5 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.

6 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.

7 Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 5, 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.

LEGAL & GENERAL FINANCE PLC

INDEPENDENT AUDITORS' REPORT

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 other irregularities (see below), 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, other irregularities 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.

Irregularities – ability to detect

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 as required by auditing standards, and from inspection of the company's regulatory and legal correspondence and discussed with the directors the policies and procedures regarding compliance with laws and regulations. We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

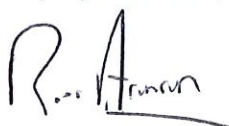
The potential effect of these laws and regulations on the financial statements varies considerably. The company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation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

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

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 (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

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

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



Rees Aronson (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

KPMG LLP

15 Canada Square, London, E145GL

3rd March 2020

LEGAL & GENERAL FINANCE PLC

INCOME STATEMENT

For the year ended 31 December 2019

	Notes	2019 £m	2018 £m
Finance and similar income			
Income from investments in group undertakings	7	43.7	41.2
Investment return	7	<u>9.9</u>	<u>10.5</u>
		53.6	51.7
Finance and similar costs			
Interest paid to group undertakings		(9.8)	(8.9)
Other finance costs	14	<u>(38.8)</u>	<u>(38.6)</u>
		(48.6)	(47.5)
Administrative expenses	3	<u>(2.3)</u>	<u>(3.1)</u>
Profit before income tax		2.7	1.1
Income tax expense	8	<u>(0.5)</u>	<u>(0.2)</u>
Profit for the period		<u>2.2</u>	<u>0.9</u>

There was no other comprehensive income for the year. The profit for the year attributable to owners of the Company reflects the total comprehensive income of the Company.

LEGAL & GENERAL FINANCE PLC

BALANCE SHEET

As at 31 December 2019

	Notes	2019	2018
		£m	£m
Non-Current Assets			
Financial investments	10	601.2	601.2
Receivables	12	300.0	-
Current Assets			
Financial investments	11	1,475.1	1,793.7
Receivables	12	451.2	305.9
Cash and cash equivalents	13	10.6	1.0
		<u>1,936.9</u>	<u>2,100.6</u>
Total Assets		<u>2,838.1</u>	<u>2,701.8</u>
Non-Current Liabilities			
Borrowings	14	598.1	597.9
Other payables and financial liabilities	15	300.0	-
Current Liabilities			
Borrowings	14	210.3	304.1
Other payables and financial liabilities	15	1,721.6	1,793.9
		<u>1,931.9</u>	<u>2,098.0</u>
Total Liabilities		<u>2,830.0</u>	<u>2,695.9</u>
Net assets		<u>8.1</u>	<u>5.9</u>
Equity			
Share capital	16	-	-
Retained earnings		8.1	5.9
Total Equity		<u>8.1</u>	<u>5.9</u>

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

The financial statements on pages 12 to 25 were approved by the Board of directors on 3 March 2020 and were signed on its behalf by:



G. O'Neill

Director

3 March 2020

LEGAL & GENERAL FINANCE PLC
STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Share Capital	Retained earnings	Total equity
	£m	£m	£m
As at 1 January 2019	-	5.9	5.9
Total comprehensive income for the year	-	2.2	2.2
Dividends	-	-	-
As at 31 December 2019	-	8.1	8.1

As at 1 January 2018	-	10.3	10.3
Total comprehensive income for the year	-	0.9	0.9
Dividends	-	(5.3)	(5.3)
As at 31 December 2018	-	5.9	5.9

LEGAL & GENERAL FINANCE PLC

NOTES TO THE FINANCIAL STATEMENTS

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

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

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

- The following paragraphs of IAS 1, 'Presentation of financial statements':
- 10(d), (statement of cash flows),
- 16 (a statement of compliance with all IFRS),
- 38A (requirement for minimum of two primary statements, including cash flow statements),
- 38B-D (additional comparative information),
- 111 (cash flow statement information),
- 134-136 (capital management disclosures).
- IAS 7, 'Statement of cash flows'
- 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 and similar income

Finance and similar 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 which comprises 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 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 income statement.

(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

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

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

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

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

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

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

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

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

The Company has no equity instruments.

Impairment

For financial assets held at amortised cost or FVOCI the company reviews the carrying value of its assets at each balance sheet date. For such assets, the company determines forward looking expected credit losses (ECL), 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 ECLs, except for debt securities that are determined to have low credit risk at the reporting date and other debt securities for which credit risk has not increased significantly since initial recognition. In these cases, ECLs are based on the 12 month ECL, which is the ECL 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 ECL.

ECLs are calculated by considering the probability of default (PD), the loss given default (LGD) and the exposure at default (EAD). The PD is determined by reference to third party information on available companies, or using qualitative information available to the company, and depends on whether a financial asset requires determination of a 12 month ECL or lifetime ECL. The LGD is determined with reference to any exposure reducing instruments such as collateral or liquid assets that the counterparty may have. The EAD is determined as the amount of the loan balance outstanding at the reporting date.

(g) Borrowings

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

(h) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, treasury bills and other short-term, highly liquid investments with maturity of three months or less from the date of acquisition.

LEGAL & GENERAL FINANCE PLC

NOTES TO THE FINANCIAL STATEMENTS

1 Accounting policies (continued)

(i) Derivative assets and liabilities

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

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

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

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

(j) Going concern

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future (being a period of at least 12 months from the date that this yearly financial report is approved). The Company, therefore, continues to adopt the going concern basis in preparing its financial statements.

(k) Exchange rates

	United States		United States	
Principal rates of exchange used for translation are:	Dollar	Euro	Dollar	Euro
	2019	2019	2018	2018
Closing exchange rates at 31 December	1.33	1.18	1.28	1.11
Average exchange rates for the year ended 31 December	1.28	1.14	1.34	1.13

2 Segmental disclosure

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

3 Administrative expenses

Administrative expenses include auditors' remuneration of £34,099 (2018: £33,106) wholly in relation to audit work.

4 Foreign Exchange

Foreign exchange revaluation gains recognised in the income statement was £nil (2018: nil).

5 Employee costs and pension

There were no employees during 2019 (2018: nil).

LEGAL & GENERAL FINANCE PLC

NOTES TO THE FINANCIAL STATEMENTS

6 Directors' emoluments

	2019	2018
	£m	£m
Short-term employee benefits	0.2	0.2
Aggregate emoluments ¹	0.2	0.2

1. Aggregated emoluments relate to a director of the Company who was the highest paid director. 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 (2018: no directors).

None of the directors has exercised share options under the Group's share schemes in the year (2018: nil).

Directors' loans

At 31 December 2019 there were no loans to directors (2018: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 2019.

7 Finance and similar income

- (i) Income from investments in group undertakings of £43.7m (2018: £41.2m) relates to interest income from loans to fellow group subsidiaries and the Company's parent.
- (ii) Included within investment return is £1.2m (2018: £1.9m) of fair value gains and £7.9m (2018: £6.2m) of income on the investment in managed funds and £0.8m (2018: £2.4m) of income from other investments.

8 Tax on profit on ordinary activities

	2018	2018
	£m	£m
Total tax		
UK corporation tax on profits for the year	0.5	0.2
Income tax expense	0.5	0.2

Factors affecting the current tax charge for the year:

The 2016 Finance Act reduced the rate of Corporation Tax to 19% from 1 April 2017 and further reduced it to 17% from 1 April 2020. To calculate the current tax on profits, the rate of tax used is 19.0% (2018: 19.0%), which is the average rate of Corporation Tax applicable for the year.

9 Dividends

	2019	2018
	£m	£m
Dividend: nil (2018: £106) paid per £1 share	-	5.3

LEGAL & GENERAL FINANCE PLC

NOTES TO THE FINANCIAL STATEMENTS

10 Financial investments (Non-current)

	2019	2018
	£m	£m
Loans to group undertaking	601.2	601.2

The investments above are neither past due nor impaired. The loans to group undertakings are held at amortised cost. The terms of the loans, interest rates and maturity dates are identical to that of the Sterling medium term notes set out in note 14. The fair value of the loans is £877.2m (2018: £823.7m). The loans are classified as level 2 in the fair value hierarchy.

11 Financial Investments (Current)

(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.

	2019	2018
	£m	£m
Financial investments at fair value:		
Managed funds	1,454.4	1,793.4
Debt securities	10.0	-
Accrued interest	0.2	-
Derivative assets	0.5	0.3
Reverse repurchase agreements	10.0	-
Total financial investments	1,475.1	1,793.7

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

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

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

11 Financial Investments (Current) (continued)

(b) Financial assets by hierarchy levels

At 31 December 2019	Carrying Value	Level 1	Level 2	Level 3
	£m	£m	£m	£m
Managed Funds	1,454.4	1,454.4	-	-
Debt securities	10.0	10.0	-	-
Accrued interest	0.2	0.2	-	-
Derivative assets	0.5	0.5	-	-
Reverse repurchase agreements	10.0	-	10.0	-
Total financial assets	1,475.1	1,465.1	10.0	-

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

There were no transfers between levels during the period.

At 31 December 2018	Carrying Value	Level 1	Level 2	Level 3
	£m	£m	£m	£m
Managed Funds	1,793.4	1,793.4	-	-
Derivative assets	0.3	-	0.3	-
Total financial assets	1,793.7	1,793.4	0.3	-

12 Receivables

	2019	2018
	£m	£m
Amounts owed by group undertakings	736.6	303.4
Other receivables	14.6	2.5
Total receivables	751.2	305.9
Due within 12 months	451.2	305.9
Due after 12 months	300.0	-

None of the receivables above are either past due or impaired.

13 Cash and cash equivalents

	2019	2018
	£m	£m
Cash at bank and in hand	10.6	1.0

LEGAL & GENERAL FINANCE PLC

NOTES TO THE FINANCIAL STATEMENTS

14 Borrowings

	Carrying amount 2019 £m	Weighted average coupon rate 2019 %	Fair value 2019 £m
Core borrowings			
Sterling medium term notes 2031 - 2041	598.1	5.87	877.2
Operational borrowings			
Euro Commercial paper	199.5	0.93	199.5
Total borrowings¹	797.6		1,076.7

	Carrying amount 2018 £m	Weighted average Coupon rate 2018 %	Fair value 2018 £m
Core borrowings			
Sterling medium term notes 2031 - 2041	597.9	5.87	823.7
Operational borrowings			
Euro Commercial paper	293.2	0.93	293.2
Total borrowings¹	891.1		1,116.9

1. Total borrowings excludes accrued interest of £10.8m (2018: £10.9m) on Sterling medium term notes.

Core borrowings

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

LEGAL & GENERAL FINANCE PLC

NOTES TO THE FINANCIAL STATEMENTS

14 Borrowings (continued)

Analysis by nature and maturity

At 31 December 2019	Carrying Value £m	Maturity profile of undiscounted cash flows				Total £m
		Within 1 yr £m	1-5 yrs £m	5-15 yrs £m	15-25 yrs £m	
Core borrowings						
Sterling medium term notes	598.1	10.8	-	590.0	10.0	610.8
Operational borrowings						
Euro commercial paper	199.5	199.5	-	-	-	199.5
	797.6	210.3	-	590.0	10.0	810.3
Contractual undiscounted interest payments		24.4	176.0	240.5	3.5	444.4
Total contractual undiscounted cash flows		234.7	176.0	830.5	13.5	1,254.7

Analysis by nature and maturity

At 31 December 2018	Carrying Value £m	Maturity profile of undiscounted cash flows				Total £m
		Within 1 yr £m	1-5 yrs £m	5-15 yrs £m	15-25 yrs £m	
Core borrowings						
Medium term notes	597.9	10.8	-	590.0	10.0	610.8
Operational borrowings						
Euro commercial paper	293.2	293.2	-	-	-	293.2
	891.1	304.0	-	590.0	10.0	904.0
Contractual undiscounted interest payments		24.4	176.0	275.1	4.1	479.6
Total contractual undiscounted cash flows		328.4	176.0	865.1	14.1	1,383.6

During 2019 interest expense of £38.8m (2018: £38.6m) was incurred on external debt issued.

15 Other payables and financial liabilities

	2019 £m	2018 £m
Amounts owed to group undertakings	2,018.1	1,793.4
Other payables	2.5	-
Income tax payable	0.5	0.2
Derivative Liabilities	0.5	0.3
Total other payables and financial liabilities	2,021.6	1,793.9
Due within 12 months	1,721.6	1,793.9
Due after 12 months	300.0	-

Included in amount due within 12 months are amounts owed to group undertaking of £1,718.1m (2018: £1,793.4m), the fair value of which is equivalent to their current values. Amounts owed to group undertakings of £300m are due after 12 months and have a fair value of £302.7m. Amounts owed to group undertakings are unsecured. Other payables and financial liabilities are classified as level 2 in the fair value hierarchy.

LEGAL & GENERAL FINANCE PLC

NOTES TO THE FINANCIAL STATEMENTS

16 Share capital

	2019	2018
	£	£
Allotted and partly paid:		
50,000 (2018: 50,000) £1 ordinary shares partly paid of 25p each	12,500.0	12,500.0

There were no changes to the issued share capital during the financial year.

17 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, www.legalandgeneralgroup.com or from the Company Secretary at the Registered Office, One Coleman Street, London, EC2R 5AA.

18 Financial risk management

Management of risk

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

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

Control Framework

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

Risk review function

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

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

Market risk

(a) Currency

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

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

During the year there were no material net exposures.

LEGAL & GENERAL FINANCE PLC

NOTES TO THE FINANCIAL STATEMENTS

18 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 14. 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 2019, other than a small amount of floating rate loans. The fixed rate loans in operation were lent to another group company on a fixed rate basis with the same maturities.

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

A sensitivity analysis performed showed that +100/-50 basis points movement in interest rates would (decrease)/ increase profit before income tax by (£2.8m)/ £1.4m (2018: (£1.9m) / £1.0m).

(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.

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 shareholders' monies 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 Legal & General Group Plc Group 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	Total
	£m	£m	£m
As at 31 December 2019			
Debt securities	10.0	-	10.0
Total debt securities	10.0	-	10.0
Accrued interest	0.2	-	0.2
Reverse repurchase agreements	10.0	-	10.0
Derivative assets	0.5	-	0.5
Cash and cash equivalents	-	10.6	10.6
Other assets	-	13.9	13.9
Total	20.7	24.5	45.2

	AA	A	Total
	£m	£m	£m
As at 31 December 2018			
Cash and cash equivalents	-	1.0	1.0
Derivative assets	-	0.3	0.3
Total	-	1.3	1.3

Amounts owed by group undertakings have been excluded from the above analysis as the Company considers that such amounts will be repaid in all reasonably possible circumstances.

LEGAL & GENERAL FINANCE PLC

NOTES TO THE FINANCIAL STATEMENTS

18 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 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 Borrowings note for cash flow maturity details (note 14).

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 2019 the Company had £12,500 of ordinary share capital and £8.1m of retained earnings.

19 Commitments

The Company has a number of loan agreements in place with group undertakings to provide funding for periods up to ten years.

The Company has four loan agreements under which it is committed to provide funding of £37m at 31 December 2019 (2018: £5m) to fellow group subsidiaries. Of this, £31m was drawn as at 31 December 2019 (2018: undrawn). The agreements expire as follows: £30m on 31 January 2020, £5m on 2 June 2020, £0.5m on 31 December 2020 and £1.5m on 31 December 2022.

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

20 Post balance sheet events

There were no adjusting post balance sheet events between 31 December 2019 and the approval of the report and accounts of the Company.