

29 July 2004

Legal & General Group Plc
Interim results for the six months to 30 June 2004

- **Second quarter UK new business up 27% on 2003**
- **Record half year for fund management new business at £8.7bn**
- **Group funds under management exceed £148bn**
- **Financially strong - significantly increased with-profits realistic surplus**
- **Dividend increased by 2.5% to 1.61p per share**

Group Chief Executive, David Prosser, said: “These are encouraging results. New business has grown strongly across almost all areas of the Group. Although the annuity reserving changes have held back pre-tax profits, underlying profit performance has been good.

Legal & General is one of the strongest companies in the sector and is well positioned to benefit from the opportunities the market offers. We have had a good first six months; we believe that once again we have taken market share profitably and we expect to continue to do so.”

Summary of results

	Achieved Profits basis		Modified Statutory Solvency basis	
	1H 04	1H 03	1H 04	1H 03
Operating profit	£292m ¹	£365m	£284m	£258m
Shareholders' funds	£5,723m	£5,260m	£3,198m	£3,259m
Earnings per share (diluted) ²	3.20p	3.92p	3.08p	2.75p
Worldwide new business APE ³	£511m	£453m	£511m	£453m
Contribution from new business ⁴	£151m	£150m	N/A	N/A
Interim dividend per share	1.61p	1.57p	1.61p	1.57p

¹After a charge of £240m from the previously announced adoption of more conservative mortality experience assumptions for annuity business.

²Based on operating profit after tax and assuming full dilution from the convertible bond issued in 2001.

³Annual Premium Equivalent (APE) is total new annual premiums + 10% of single premiums, including ISAs and unit trusts.

⁴Contribution before tax from new worldwide life and pensions business.

The Achieved Profits results are based on the methodology issued by the Association of British Insurers in December 2001. Full details of the results can be found in Parts 2 (Achieved Profits), 3 (MSS) and 4 (Legal & General Investment Management).

UK overview and outlook

Returning consumer confidence and continued success in building distribution are, we believe, the prime reasons behind the second quarter growth in our UK business. New business APE was 27% above the corresponding period last year and 35% ahead of the first quarter this year.

Strongest growth in retail business has come from the IFA sector where the increased effort referred to last year has delivered excellent results, particularly from investment products. This brought new business from this channel to £234m APE (1H03: £188m), an increase of nearly 25%. In our Business Partnerships division, which recorded new business of £118m APE (1H03: £123m), mortgage-related protection business remained the strongest area of sales.

There has been some change in product mix over the last year. Overall, bond sales increased as demand for unit linked products has grown significantly but with-profit bond sales fell. Bulk purchase annuity sales, which are lumpy, were down by more than a third from last year.

Continued pricing discipline resulted in a return on capital of 19% on new UK life and pensions business. Primarily as a result of changes in the mix of business the value to premium ratio fell from 46% in 2003 to 40% in the first half of 2004.

We believe the market outlook is encouraging. Protection sales are expected to remain buoyant and we believe individual investors will increasingly look to bonds and equities for their long-term savings. At the same time, we expect pricing discipline to be maintained.

The Government and the FSA are consulting on a series of proposals, which if implemented, will have a significant impact on our industry's products and distribution. We believe the sector consolidation will continue and this will continue to provide Legal & General with good opportunities to achieve further profitable growth. We have the combination of products, brand, financial strength, distribution and experience to be able to take full advantage of the opportunities ahead.

Analysis of new business (APE)

	1H 04 £m	1H 03 £m	2Q 04 £m	2Q 03 £m
UK life and pensions:				
- individual	277	231	146	116
- group	62	52	39	19
- total	<u>339</u>	<u>283</u>	<u>185</u>	<u>135</u>
UK ISAs and unit trusts	<u>115</u>	<u>122</u>	<u>76</u>	<u>70</u>
Total UK	<u>454</u>	<u>405</u>	<u>261</u>	<u>205</u>
International	<u>57</u>	<u>48</u>	<u>35</u>	<u>25</u>
Worldwide (including unit trusts)	<u>511</u>	<u>453</u>	<u>296</u>	<u>230</u>
New institutional fund management	8,743	5,980	3,312	3,152

UK new business

Strong growth in demand for both retail and group business in the second quarter resulted in a 27% growth in new business over the corresponding period last year and 35% growth on the first quarter of 2004. During the half-year, new business volumes grew by 12% to £454m APE (1H03: £405m). Within this figure, new life and pensions business grew by 20% to £339m APE (1H03: £283m).

Individual life

Annual premium sales continued to benefit from the strong position we have built up in the life protection market, growing by 10% to £78m (1H03: £71m).

Single premium bond sales were 59% higher at £820m (1H03: £515m). Unit linked bond sales more than trebled offsetting lower with-profits sales.

Individual pensions

Individual pension business made further progress, with annual premiums increasing by 7% to £61m (1H03: £57m) and single premium new business up 9% to £562m (1H 03: £516m), benefiting from growth in pensions transfers and individual annuity sales.

ISAs and Unit trusts

Investment sales in the second quarter, which benefited from increased demand from both retail and institutional investors, grew from £39m APE in the first quarter to £76m. Despite the second quarter increase, sales in the first half of the year as a whole declined by 6% to £115m APE (1H03: £122m). Although regular payment business fell to £14m (1H03: £19m), single payment sales held up at £1,010m (1H03: £1,025m).

Group business

Group new business increased by 19% to £62m APE (1H03: £52m). We have benefited from strong growth in group risk premiums as the market concentrates on a smaller number of providers. Bulk purchase annuity single premiums were higher in the second quarter than the first but over the first half were still below the corresponding period last year at £230m (1H03: £367m).

Analysis of profit - Achieved Profits Basis

	1H 04	1H 03
	£m	£m
Profit on continuing operations:		
UK life and pensions	165 ¹	260
International life and pensions	40	46
Institutional fund management	50	37
General insurance	20	19
Other operational income	17	3
Operating profit	292¹	365
Variation from longer term investment return	88	86
Change in equalisation provision	(4)	(4)
Effect of economic assumption changes	(11)	(8)
Effect of UK Budget tax changes	-	(27)
Profit on ordinary activities before tax	365¹	412
Diluted earnings per share	3.20p	3.92p
(Based on operating profit after tax)		

¹ After a charge of £240m from the previously announced adoption of more conservative mortality experience assumptions for annuity business.

UK life and pensions profit

Operating profit was £165m (1H03: £260m). The contribution from in-force business fell by £240m pre tax as a result of the more conservative annuitant mortality assumptions announced on 2 July. This was partly offset by other operating assumption changes of £28m and by favourable experience variances of £40m.

Strong growth in life and pensions volumes enabled the new business contribution before tax to grow to £134m (1H03: £131m) despite the adoption of the more conservative annuitant mortality assumptions previously announced. Although pricing discipline was maintained, the combination of business mix and these revised assumptions caused the contribution, expressed as a percentage of APE, to fall to 40% (1H03: 46%).

International life and pensions

Operating profit from international life and pensions business was £40m (1H03: £46m), including a new business contribution of £17m (1H03: £19m). The contribution from in-force business was £18m (1H03: £20m).

In the USA, new business was broadly stable in sterling terms at £27m APE (1H03: £28m) but increased 7% in local currency terms. Operating profit was £18m (1H03: £28m) as the level of claims exceeded the assumed level. The new business contribution, as a percentage of APE, was 25% (1H03: 41%) as the Triple X reserves were carried directly, pending the completion of a financing arrangement to supplement the existing reinsurance arrangements.

New business volumes in Europe were resilient and, including retail investment business, grew to £30m APE, (1H03: £20m). The result in the Netherlands was driven mainly by growth in single premiums and in France good progress was made in life and pensions sales. The operating profit was £15m in the Netherlands (1H03: £14m) and £7m in France (1H03: £4m). The combined contribution from new business was £10m (1H03: £7m).

Legal & General Investment Management

Legal & General Investment Management maintained its impressive track record, winning a further £8.7bn of new funds in the first half of 2004 (1H03: £6.0bn), with particularly strong performance in the first quarter. We continued to win an increasing number of bond mandates for both active and indexed management.

The profit from our fund management business grew by 35% to £50m (1H03: £37m), with improved results for both new and in-force business for managed pension funds and an increased contribution of £6m (1H03: £5m) from venture capital and other external clients. The contribution from new business from managed pension funds was £17m (1H03: £12m) reflecting the significant increase in new business volumes.

Group funds under management grew to a record £148bn at 30 June 2004 (30 June 2003: £124bn). Funds under management by Legal & General Investment Management were £146bn (30 June 2003: £123bn).

Further information on the performance of Legal & General Investment Management can be found in Part 4 of this announcement.

General insurance

Net written premiums grew 17% to £215m (1H03: £184m) as the existing joint venture with the Woolwich was extended further to customers of Barclays Bank. Legal & General is now one of the top five household insurers in the UK.

The household account, which represents nearly 80% of net premiums written, produced an increased operating profit of £13m (1H03: £10m). The total operating profit at £20m (1H03: £19m) reflected a lower profit from other business as the contribution from the mature mortgage indemnity book continues to decline.

Other operational income

Other operational income comprises the longer term investment return arising from investments held outside the UK long term fund, interest expense, unallocated corporate expenses and the results of the Group's other operations. The significantly increased

contribution of £17m (1H03: £3m) reflects an improved investment return and a reduced loss of £1m (1H03: £11m loss) from our retail investment business.

Profit on ordinary activities

The Group's operating profit on continuing operations before tax was £292m (1H03: £365m). The profit from ordinary activities before tax, which includes the effect of variances in investment return from the longer term return assumed at the end of 2003, was £365m (1H03: £412m). The investment return on the equity and property portfolio of the UK long term fund was 0.9% above the assumption for the period (1H03: 2.8% above assumption).

Balance sheet

At 30 June 2004, the embedded value of the Group's long term businesses was £5,329m (31 December 2003: £5,215m). At 30 June 2004, shareholders' funds on the Achieved Profits basis amounted to £5,723m (31 December 2003: £5,584m), equivalent to 88p per share (31 December 2003: 86p per share). This increase of 2.5% was achieved after providing for both the 2004 interim dividend of £104m and the revised mortality assumptions.

Analysis of profit - Modified Statutory Solvency (MSS) basis

	1H 04 £m	1H 03 £m
Profit on continuing operations:		
Life and pensions operating profit	215	211
Institutional fund management	32	25
General insurance	20	19
Other operational income	17	3
Operating profit	284	258
Variation from longer term investment return	(26)	20
Change in equalisation provision	(4)	(4)
Change in shareholder retained capital (SRC)	(170)	(30)
Profit before tax	84¹	244
Diluted earnings per share (Based on operating profit after tax)	3.08p	2.75p

¹ After a charge from the previously announced adoption of more conservative mortality reserving assumptions for annuity business, which was partly offset by other releases.

Operating profit was £284m (1H03: £258m), reflecting improved results from all business areas.

The UK life and pensions operating profit before tax was £178m (1H03: £174m), as the impact of lower levels of with-profit bonuses was more than offset by an increased transfer from the growing book of non profit business. The accrued transfer from non profit business has been calculated as a smoothed investment return on the shareholder net worth and the embedded value of non profit business, augmented by the distribution in respect of the intra-group subordinated debt capital attributed to the SRC. The external servicing cost of the related debt has been reflected in interest expense reported within other operational income.

The operating profit from our overseas life and pensions businesses was unchanged at £37m with a reduced contribution from the USA offset by increased profits from Europe.

Legal & General Investment Management saw strong growth in statutory profits. These increased by 28% to £32m (1H03: £25m) reflecting a combination of higher volumes, higher market levels and tightly controlled costs.

Adopting the more conservative reserving basis for UK annuity business announced on 2 July led to a reduction in SRC of £290m net of tax. However, this reduction was partially offset by releases from other reserves, together with the impact of improved asset/liability matching and other actions.

In aggregate, the movement in SRC was a pre tax reduction of £170m (1H03: a reduction of £30m). This reflected the impact of reduced investment returns, the net capital invested in non profit business of £91m (including the effect of the reserving changes outlined above) and the transfer to shareholders from non profit business.

Capital strength

Legal & General continues to be one of the strongest companies in its sector. Reserves are reviewed regularly to ensure an appropriate level of prudence is used in each product area. Our capital position underpins our ability to continue to grow new business volumes profitably.

At 30 June 2004, the value of the assets supporting the UK with-profits business was estimated to have exceeded realistic liabilities by £1.0bn.

The Risk Capital Margin (RCM) required has reduced from £960m at 31 December 2003 to an estimated £400m at 30 June 2004 mainly as a consequence of a change in investment policy for those assets in the with-profits fund which are held over and above asset shares. The investment policy for asset shares remains unchanged. The RCM has been calculated on the basis of ABI guidance used at the year end except that, more prudently, a full 20% equity stress test has been used.

The RCM was covered 2.5 times by the realistic with-profits estate and at least 10 times by the total surplus assets in Legal & General Assurance Society.

As at 30 June 2004, the Form 9 ratio for Legal & General Assurance Society was 14.0% (31 December 2003: 13.0%). This includes an implicit item of £1.0bn but makes no use of the realistic waivers granted by the FSA last year. Excluding the implicit item, the ratio was 11.5%. The ratio at 30 June reflects the more conservative mortality basis adopted for annuity business, the impact of which was more than offset by a reduction in the required resilience reserves.

Payment of dividend

The interim dividend of 1.61p per share will be paid on 1 October 2004 to shareholders registered at the close of business on 10 September. The shares go ex-dividend on 8 September. A Dividend Re-investment Plan is available to shareholders.

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Notes:

- These financial statements have been reviewed by PricewaterhouseCoopers LLP and prepared in conjunction with our consulting actuaries - Tillinghast Towers-Perrin and, in the USA, Milliman USA.
- Issued share capital at 30 June 2004 was 6,505,016,878 shares of 2.5p each.
- A copy of this announcement can be found in the News and Results section of our Shareholder site at <http://investor.legalandgeneral.com/releases.cfm>
- The results presentation to analysts and fund managers will also be available later today at <http://investor.legalandgeneral.com/presentations.cfm>

Financial Calendar:

Ex dividend date for interim dividend	8 September 2004
Record date for interim dividend	10 September 2004
Payment date for interim dividend	1 October 2004
Third quarter 2004 new business results	20 October 2004

Part 2

Legal & General Group Plc

P1

Consolidated Profit and Loss Account - Achieved Profits Basis

Six months ended 30 June 2004

	Notes	30.6.04 £m	30.6.03 restated £m	Full year 2003 restated £m
<i>Profit on continuing operations</i>				
Life and pensions	1	205	306	620
Institutional fund management		50	37	82
General insurance	4	20	19	41
Other operational income	5	17	3	18
Operating profit		292	365	761
Variation from longer term investment return	7	88	86	422
Change in equalisation provision		(4)	(4)	(7)
Effect of economic assumption changes	8	(11)	(8)	(32)
Effect of UK Budget tax change	9	-	(27)	(27)
Profit on ordinary activities before tax		365	412	1,117
Tax charge	9	(110)	(105)	(258)
Profit for the financial period		255	307	859
Dividends		(104)	(102)	(318)
Retained profit		151	205	541
<hr/>				
Earnings per share	11	P	P	P
Based on operating profit after tax		3.26	4.01	8.49
Based on profit for the financial period		3.93	4.73	13.24
Diluted earnings per share	11			
Based on operating profit after tax		3.20	3.92	8.28
Based on profit for the financial period		3.84	4.61	12.83
Dividend per share		1.61	1.57	4.90

These financial statements were approved by the Board on 28 July 2004.

The results for the six months to 30 June 2004 and 30 June 2003 are unaudited, but have been subject to a review by the auditors and constitute non statutory accounts within the meaning of Section 240 of the Companies Act 1985. They have been prepared on a basis which is consistent with the financial statements for the year ended 31 December 2003 except that the Urgent Issues Task Force abstract 38, 'Accounting for ESOP trusts' has been adopted and the shareholders' investment return of Institutional fund management has been reanalysed to provide a longer term rate of return within operating profit, 2003 comparatives have been restated accordingly.

The results for year ended 2003 have been taken from the supplementary financial statements for the year ended 2003 which have been filed with the Registrar of Companies and include an auditors' report which is unqualified and does not contain a statement under either Sections 237(2) or 237(3) of the Companies Act 1985.

These figures have been prepared for long term business using the Achieved Profits (AP) basis. The Modified Statutory Solvency (MSS) results are included in Part 3.

Consolidated Balance Sheet - Achieved Profits Basis

Six months ended 30 June 2004

	Notes	At 30.6.04 £m	At 30.6.03 Restated £m	At 31.12.03 Restated £m
<i>Assets</i>				
Investments	12	35,262	33,872	35,268
Assets held to cover linked liabilities		93,986	75,733	84,308
Long term in-force business asset		2,556	2,028	2,365
Other assets		5,900	5,548	5,320
		137,704	117,181	127,261
<i>Liabilities</i>				
Shareholders' funds	15	5,723	5,260	5,584
Fund for future appropriations		1,434	633	1,498
Technical provisions				
- Technical provisions for linked liabilities		91,943	74,305	83,730
- Long term business provisions		34,016	32,350	33,206
- General insurance provisions		433	360	405
		126,392	107,015	117,341
Borrowings	14	1,512	1,409	1,475
Other creditors		2,643	2,864	1,363
		137,704	117,181	127,261

Statement of Total Recognised Gains and Losses

	At 30.6.04 £m	At 30.6.03 £m	At 31.12.03 £m
Profit for the financial period	255	307	859
Exchange (losses)/gains	(11)	6	(7)
Total recognised gains and losses	244	313	852

New business

Six months ended 30 June 2004

<i>New Annual Premium Equivalent</i>	30.6.04 £m	30.6.03 £m	Full year 2003 £m
<i>Insurance business</i>			
Life	197	135	296
Pensions	142	148	296
UK	339	283	592
USA	27	28	48
Netherlands	12	10	22
France	17	9	19
	56	47	89
Insurance total	395	330	681
<i>Retail investment business</i>			
UK	115	122	202
France	1	1	2
Total new business	511	453	885
<i>International insurance new business expressed at 30 June 2004 exchange rates</i>			
USA		26	47
Netherlands		10	21
France		9	18
		45	86

Annual Premium Equivalent (APE) is calculated for total new business, including ISAs and unit trusts but excluding institutional fund management, and comprises the new annual premiums together with 10% of single premiums.

<i>Institutional fund management</i>	30.6.04 £m	30.6.03 £m	Full year 2003 £m
<i>Managed pension funds *</i>			
- Pooled funds	7,610	5,207	11,066
- Segregated funds	1,063	359	1,504
- Limited partnerships	61	239	242
	8,734	5,805	12,812
Other funds	9	175	240
	8,743	5,980	13,052

* Excludes £2.2bn (1H03: £1.0bn; FY03: £4.0bn) which is held on a temporary basis, generally as part of a portfolio reconstruction.

New business

Six months ended 30 June 2004

	6 months 30.6.04 £m	3 months 30.6.04 £m	3 months 31.3.04 £m	6 months 30.6.03 £m	3 months 30.6.03 £m	3 months 31.3.03 £m
UK annual premiums						
<i>Insurance business</i>						
Life						
- Mortgage-related	53	28	25	48	27	21
- Protection	25	13	12	23	12	11
- Group risk	37	24	13	13	6	7
Pensions						
- Individual pensions	61	33	28	57	28	29
- Group pensions	2	1	1	2	1	1
	178	99	79	143	74	69
<i>Retail investment business</i>						
ISAs	13	7	6	15	9	6
Unit trusts	1	0	1	4	3	1
Total	192	106	86	162	86	76
UK single premiums						
<i>Insurance business</i>						
Bonds						
- With-profits	224	101	123	329	134	195
- Unit linked	596	335	261	186	108	78
Pensions						
- Individual pensions	179	92	87	165	75	90
- Annuities - individual	366	184	182	314	154	160
- Annuities - bulk purchase	230	139	91	367	119	248
- Other group business	2	1	1	3	2	1
- DWP rebates	17	13	4	37	20	17
	1,614	865	749	1,401	612	789
<i>Retail investment business</i>						
ISAs	389	267	122	393	273	120
Unit trusts	621	420	201	632	304	328
Total	2,624	1,552	1,072	2,426	1,189	1,237
UK APE						
Individual life and pensions	277	146	131	231	116	115
Retail investments	115	76	39	122	70	52
<i>by channel</i>						
- Independent financial advisers	234	133	101	188	93	95
- Business partnerships	118	62	56	123	65	58
- Business partnerships direct	17	15	2	19	13	6
- Direct	23	12	11	23	15	8
Total UK individual	392	222	170	353	186	167
Group	62	39	23	52	19	33
Total	454	261	193	405	205	200

New business

Six months ended 30 June 2004

	6 months 30.6.04 £m	3 months 30.6.04 £m	3 months 31.3.04 £m	6 months 30.6.03 £m	3 months 30.6.03 £m	3 months 31.3.03 £m
International annual premiums						
<i>Insurance business</i>						
USA	27	15	12	27	13	14
Netherlands	6	3	3	6	4	2
France	10	10	0	4	3	1
Total	43	28	15	37	20	17
International single premiums						
<i>Insurance business</i>						
USA	0	0	0	8	7	1
Netherlands	64	24	40	46	17	29
France	68	38	30	49	23	26
	132	62	70	103	47	56
<i>Retail investment business</i>						
France	8	5	3	10	5	5
Total	140	67	73	113	52	61

Notes to Financial Statements - Achieved Profits Basis

Six months ended 30 June 2004

1. Operating profit from long term business

	UK £m	International £m	Life and pensions Total £m	Managed pension funds * £m	Total £m
Six months ended 30.6.04					
Contribution from:					
New business	134	17	151	17	168
In-force business					
- expected return	135	25	160	8	168
- experience variances	40	(6)	34	8	42
- operating assumption changes **	(212)	(1)	(213)	8	(205)
Shareholder net worth	68	5	73	3	76
Operating profit	165	40	205	44	249
Six months ended 30.6.03					
Contribution from:					
New business	131	19	150	12	162
In-force business					
- expected return	108	22	130	6	136
- experience variances	0	(2)	(2)	1	(1)
- operating assumption changes **	(50)	0	(50)	10	(40)
Shareholder net worth	71	7	78	3	81
Operating profit	260	46	306	32	338
Full year ended 31.12.03					
Contribution from:					
New business	271	34	305	31	336
In-force business					
- expected return	215	45	260	13	273
- experience variances	9	(8)	1	5	6
- operating assumption changes **	(107)	1	(106)	20	(86)
Development costs	(2)	-	(2)	(1)	(3)
Shareholder net worth	151	11	162	3	165
Operating profit	537	83	620	71	691

* Included in the Institutional fund management result of £50m (1H03: £37m; FY03: £82m).

** The largest impact on UK life and pensions business in 2004 was from the strengthening of assumptions for annuitant longevity, and in 2003, was from provisions relating to the endowment book.

Notes to Financial Statements - Achieved Profits Basis

Six months ended 30 June 2004

2. Life and pensions gross premiums and operating profit

	30.6.04 Premiums written £m	30.6.04 Operating profit £m	30.6.03 Premiums written £m	30.6.03 Operating profit £m	Full year 2003 Premiums written £m	Full year 2003 Operating profit £m
UK	2,334	165	2,193	260	4,541	537
USA	148	18	154	28	292	50
Netherlands	98	15	75	14	155	24
France	99	7	73	4	171	9
	2,679	205	2,495	306	5,159	620

International life and pensions gross premiums and operating profit expressed at 30 June 2004 exchange rates are:

	30.6.03 Premiums written £m	30.6.03 Operating profit £m	Full year 2003 Premiums written £m	Full year 2003 Operating profit £m
USA	140	26	289	49
Netherlands	72	14	148	23
France	71	4	163	9

3. Sterling exchange rates used

	30.6.04	30.6.03	31.12.03
United States dollar	1.81	1.65	1.79
Euro	1.49	1.44	1.42

4. General insurance net premiums and operating profit

	30.6.04 Premiums written £m	30.6.04 Operating profit £m	30.6.03 Premiums written £m	30.6.03 Operating profit £m	Full year 2003 Premiums written £m	Full year 2003 Operating profit £m
Household	171	13	146	10	308	17
Other business	44	7	38	9	79	24
Total	215	20	184	19	387	41

Notes to Financial Statements - Achieved Profits Basis

Six months ended 30 June 2004

5. Other operational income

	30.6.04 £m	30.6.03 £m	Full year 2003 £m
Shareholders' other income			
- Investment return on shareholders' funds	55	50	100
- Interest expense	(29)	(30)	(58)
	<u>26</u>	<u>20</u>	<u>42</u>
Other operations	(1)	(10)	(14)
Unallocated corporate and development expenses	(8)	(7)	(10)
	<u>17</u>	<u>3</u>	<u>18</u>

6. General insurance and shareholders' investment return

	30.6.04 £m	30.6.03 restated £m	Full year 2003 restated £m
Investment income	52	46	92
Interest expense and charges	(30)	(31)	(60)
Realised investment gains/(losses)	8	(8)	(12)
Unrealised investment (depreciation)/appreciation	(16)	45	101
	<u>14</u>	<u>52</u>	<u>121</u>
reported within:			
Institutional fund management	4	3	5
General insurance	10	9	18
Other operational income	26	20	42
Variation from longer term investment return			
- Institutional fund management	(2)	0	(2)
- General insurance	(6)	1	5
- Other operational income	(18)	19	53
	<u>(26)</u>	<u>20</u>	<u>56</u>

The investment return shown represents the return on the General insurance and Corporate funds. Shareholders' other income, reported within Other operational income, has been allocated based on a longer term rate of investment return with the variation from the actual return being reported as Variation from longer term investment return.

Notes to Financial Statements - Achieved Profits Basis

Six months ended 30 June 2004

7. Variation from longer term investment return

	30.6.04 £m	30.6.03 restated £m	Full year 2003 restated £m
Life and pensions			
- UK	120	56	346
- International	(8)	7	4
	<hr/>	<hr/>	<hr/>
Total life and pensions	112	63	350
Managed pension funds	2	3	16
	<hr/>	<hr/>	<hr/>
Total long term business	114	66	366
Institutional fund management	(2)	0	(2)
General insurance	(6)	1	5
Other operational income	(18)	19	53
	<hr/>	<hr/>	<hr/>
	(26)	20	56
	<hr/>	<hr/>	<hr/>
	88	86	422
	<hr/>	<hr/>	<hr/>

For long-term business, the variation from longer term investment return represents the effect of the investment performance and changes to investment policy in respect of shareholder net worth and in-force business, compared with embedded value assumptions at the beginning of the period.

8. Effect of economic assumption changes

	30.6.04 £m	30.6.03 £m	Full year 2003 £m
Life and pensions			
- UK	(9)	(1)	(16)
- International	(1)	(7)	(16)
	<hr/>	<hr/>	<hr/>
Total life and pensions	(10)	(8)	(32)
Managed pension funds	(1)	-	-
	<hr/>	<hr/>	<hr/>
Total long term business	(11)	(8)	(32)
	<hr/>	<hr/>	<hr/>

Notes to Financial Statements - Achieved Profits Basis

Six months ended 30 June 2004

9. Analysis of tax

	30.6.04 Profit before tax	30.6.04 Tax (charge)/ credit	30.6.03 Profit before tax	30.6.03 Tax (charge)/ credit	Full year 2003 Profit before tax	Full year 2003 Tax (charge)/ credit
	£m	£m	£m	£m	£m	£m
<i>Profit on continuing operations</i>						
UK life and pensions	165	(45)	260	(73)	537	(150)
International life and pensions	40	(14)	46	(16)	83	(29)
	205	(59)	306	(89)	620	(179)
Institutional fund management	50	(16)	37	(11)	82	(24)
General insurance	20	(6)	19	(6)	41	(13)
Other operational income	17	1	3	1	18	6
Operating profit	292	(80)	365	(105)	761	(210)
Variation from longer term investment return	88	(35)	86	(12)	422	(67)
Change in equalisation provision	(4)	1	(4)	1	(7)	2
Effect of economic assumption changes	(11)	4	(8)	3	(32)	9
Effect of UK Budget tax change *	-	-	(27)	8	(27)	8
Profit on ordinary activities and tax	365	(110)	412	(105)	1,117	(258)

* Changes in the 2003 Budget to the corporation tax rates applicable to the policyholders' share of certain income and gains reduced the UK life and pensions embedded value by £19m. The effect was reported as a charge before tax of £27m.

10. Pension costs

The Legal & General Group UK Pension and Assurance Fund and the Legal & General Group UK Senior Pension Scheme are defined benefit pension arrangements and account for all UK and approximately 98% of worldwide assets and contributions to such schemes. At 30.6.04 the combined after tax deficit of these arrangements has been estimated at £68m (1H03: £32m; FY03: £65m). If these amounts had been recognised in the financial statements, £50m would have been charged against shareholder funds (1H03: £24m; FY03: £49m) and £18m against the Fund for Future Appropriations (1H03: £8m; FY03: £16m) in accordance with the guidelines contained in the December 2003 ABI SORP.

Notes to Financial Statements - Achieved Profits Basis

Six months ended 30 June 2004

11. Earnings per share (EPS)

	Profit/ (loss) £m	Earnings per share p	Weighted average number of shares m
Six months ended 30.6.04			
Operating profit after tax on continuing operations	212	3.26	6,491
Variation from longer term investment return	53	0.81	
Change in equalisation provision	(3)	(0.04)	
Effect of economic assumption changes	(7)	(0.10)	
	<hr/>	<hr/>	<hr/>
Profit for the period/EPS	255	3.93	6,491
Net shares under options allocable for no further consideration	-	-	22
Convertible bonds outstanding	6	(0.09)	285
	<hr/>	<hr/>	<hr/>
Diluted profit for the period/EPS	261	3.84	6,798
Six months ended 30.6.03			
Operating profit after tax on continuing operations	260	4.01	6,489
Variation from longer term investment return	74	1.14	
Change in equalisation provision	(3)	(0.05)	
Effect of economic assumption changes	(5)	(0.08)	
Effect of UK Budget changes	(19)	(0.29)	
	<hr/>	<hr/>	<hr/>
Profit for the period/EPS	307	4.73	6,489
Net shares under options allocable for no further consideration	-	-	9
Convertible bonds outstanding	6	(0.12)	285
	<hr/>	<hr/>	<hr/>
Diluted profit for the period/EPS	313	4.61	6,783
Full year ended 31.12.03			
Operating profit after tax on continuing operations	551	8.49	6,490
Variation from longer term investment return	355	5.47	
Change in equalisation provision	(5)	(0.08)	
Effect of economic assumption changes	(23)	(0.35)	
Effect of UK Budget changes	(19)	(0.29)	
	<hr/>	<hr/>	<hr/>
Profit for the financial year/EPS	859	13.24	6,490
Net shares under options allocable for no further consideration	-	-	15
Convertible bonds outstanding	12	(0.41)	285
	<hr/>	<hr/>	<hr/>
Diluted profit for the financial year/EPS	871	12.83	6,790

Notes to Financial Statements - Achieved Profits Basis

Six months ended 30 June 2004

12. Funds under management

	At 30.6.04 £m	At 30.6.03 Restated £m	At 31.12.03 Restated £m
Land and buildings	4,159	3,839	4,228
Shares, variable yield securities and unit trusts	10,429	11,088	11,494
Debt and other fixed income securities	19,734	17,679	18,277
Loans secured by mortgages	243	191	183
Other loans and investments	69	85	74
Deposits with credit institutions	801	1,156	1,181
	35,435	34,038	35,437
Less amounts payable under a margining arrangement	(173)	(166)	(169)
Total investments	35,262	33,872	35,268
Assets held to cover linked liabilities	93,986	75,733	84,308
Funds included in the consolidated balance sheet	129,248	109,605	119,576
Segregated funds	11,784	8,714	11,235
Unit trusts, ISAs and PEPs	7,418	6,176	6,975
Total funds under management	148,450	124,495	137,786
representing:			
Managed in the UK			
- Active	45,257	39,158	42,214
- Index tracking	99,552	82,265	92,047
- For overseas subsidiaries	1,045	1,160	1,076
	145,854	122,583	135,337
Other including managed overseas	2,596	1,912	2,449
	148,450	124,495	137,786
including Institutional funds under management:			
Managed pension funds			
- Pooled	81,502	64,600	72,841
- Segregated	9,327	6,980	8,522
	90,829	71,580	81,363
Other funds	2,594	3,084	2,713
	93,423	74,664	84,076

Legal and General Assurance Society has entered into OTC swap transactions related to cashflows of approximately £140m over the next 10 years in order to ensure a more accurate matching of expected liability cash flows with the projected proceeds of investments.

Notes to Financial Statements - Achieved Profits Basis

Six months ended 30 June 2004

13. Embedded value of long term business

	UK £m	International £m	Life and pensions Total £m	Managed pension funds £m	Total £m
Six months ended 30.6.04					
At 1 January	4,253	657	4,910	305	5,215
Exchange rate movements	-	(14)	(14)	-	(14)
	4,253	643	4,896	305	5,201
Profit after tax	201	20	221	31	252
Capital movements	-	1	1	-	1
Distributions	(125)	-	(125)	-	(125)
At end of period	4,329	664	4,993	336	5,329
comprising:					
Value of in-force business	2,849	471	3,320	175	3,495
Shareholder net worth *	1,480	193	1,673	161	1,834
	4,329	664	4,993	336	5,329
Six months ended 30.6.03					
At 1 January	3,876	641	4,517	262	4,779
Exchange rate movements	-	(2)	(2)	-	(2)
	3,876	639	4,515	262	4,777
Profit after tax	209	29	238	25	263
Distributions	(122)	-	(122)	-	(122)
At end of period	3,963	668	4,631	287	4,918
comprising:					
Value of in-force business	2,296	432	2,728	142	2,870
Shareholder net worth *	1,667	236	1,903	145	2,048
	3,963	668	4,631	287	4,918

Notes to Financial Statements - Achieved Profits Basis

Six months ended 30 June 2004

13. Embedded value of long term business (continued)

	UK £m	International £m	Life and pensions Total £m	Managed pension funds £m	Total £m
Full year ended 31.12.03					
At 1 January	3,876	641	4,517	262	4,779
Exchange rate movements	-	(37)	(37)	-	(37)
	3,876	604	4,480	262	4,742
Profit after tax	636	47	683	61	744
Capital movements	-	6	6	-	6
Distributions	(259)	-	(259)	(18)	(277)
At 31 December	4,253	657	4,910	305	5,215
comprising:					
Value of in-force business	2,668	429	3,097	162	3,259
Shareholder net worth *	1,585	228	1,813	143	1,956
	4,253	657	4,910	305	5,215

* For the UK life and pensions business, shareholder net worth comprises the shareholder retained capital (SRC) on the MSS basis, adjusted for deferred acquisition costs, and the sub-fund, both net of an appropriate allowance for tax. It also includes intra-group subordinated debt capital of £602m.

Notes to Financial Statements - Achieved Profits basis

Six months ended 30 June 2004

13. Embedded value of long term business (continued)

Reconciliation of in-force business

	At 30.6.04 £m	At 30.6.03 £m	At 31.12.03 £m
Long term in-force business asset included in the balance sheet	2,556	2,028	2,365
Sub-fund	(228)	(202)	(223)
Deferred acquisition costs	743	723	709
Deferred tax on contribution *	357	228	366
Other adjustments	67	93	42
Value of in-force business	3,495	2,870	3,259

Reconciliation of shareholder net worth of long term business operations

UK (SRC) **	2,099	2,243	2,212
USA	458	460	443
Netherlands	40	31	36
France	46	38	45
Managed pension funds	161	145	143
Shareholder net worth on the MSS basis	2,804	2,917	2,879
Purchased interests in long term business	(31)	(27)	(29)
Sub-fund	228	202	223
Deferred acquisition costs	(743)	(723)	(709)
Deferred tax on contribution *	(357)	(228)	(366)
Other adjustments	(67)	(93)	(42)
Shareholder net worth on the AP basis	1,834	2,048	1,956

* Deferred tax represents all tax which is expected to be paid under current legislation, including tax which would arise if shareholders' backing assets were eventually distributed.

** Including £602m of intra-group subordinated debt capital attributed to the SRC.

14. Borrowings

	At 30.6.04 £m	At 30.6.03 £m	At 31.12.03 £m
2.75% Convertible bond 2006	519	517	518
Medium Term Notes 2031-2041	597	597	597
Undated subordinated notes	394	-	-
Medium Term Notes 2004-2005	-	36	6
Commercial paper 2004	-	258	352
Bank loans 2004	2	1	2
Total borrowings	1,512	1,409	1,475

The convertible bond matures in 2006 and is convertible into ordinary shares of the Company at 184p per share. If converted, this bond would give rise to the issue of 285.3m new ordinary shares which represents approximately 4.4% of the current issued share capital.

Notes to Financial Statements - Achieved Profits Basis

Six months ended 30 June 2004

15. Shareholders' funds

Segmental analysis

	At 30.6.04 £m	At 30.6.03 Restated £m	At 31.12.03 Restated £m
Embedded value of life and pensions businesses:			
- UK*	4,329	3,963	4,253
- USA	463	492	460
- Netherlands	117	101	112
- France	84	75	85
	4,993	4,631	4,910
Institutional fund management**	371	321	338
	5,364	4,952	5,248
General insurance	136	108	120
Corporate funds ***	223	200	216
	5,723	5,260	5,584
<i>Movement</i>			
At 1 January as originally published	5,584	5,061	5,061
Prior year adjustment in respect of UITF 38****	-	(13)	(13)
At 1 January as restated	5,584	5,048	5,048
Profit for the financial period	255	307	859
Exchange rate movements	(11)	6	(7)
Dividends	(104)	(102)	(318)
Increase in share capital/share premium	0	0	1
Allocation of ESOT shares	(1)	1	1
At end of period	5,723	5,260	5,584

* Includes £602m of intra-group subordinated debt capital attributed to the SRC.

** Includes £335m (1H03: £287m; FY03: £305m) net assets of managed pension funds business.

*** Includes £519m (1H03: £517m; FY03: £518m) of convertible debt, £602m of senior debt which has been onlent to the Long Term Fund (LTF), £788m representing the net proceeds from the 2002 Rights Issue and £122m (1H03: £65m; FY03: £139m) representing the aggregated investment returns.

**** UITF abstract 38 'Accounting for ESOP trusts' requires that own shares held within the Employee Share Ownership Trust (ESOT) should be accounted for as a deduction from shareholders' funds rather than be disclosed as an investment as was previously required. The 2003 amounts have been restated accordingly.

Notes to Financial Statements - Achieved Profits Basis

Six months ended 30 June 2004

16. Embedded value assumptions

UK life and pensions

Key economic assumptions are set out below and should be read in conjunction with the notes to the supplementary financial statements in the 2003 Report and Accounts. The assumed future pre-tax return on fixed interest securities is set by reference to redemption yields available in the market at the end of the reporting period. The corresponding return on equities and property and the risk discount rate have been set by reference to the gilt return assumption.

	30.6.04 % pa	30.6.03 % pa	31.12.03 % pa	31.12.02 % pa
UK				
<i>Investment return</i>				
- Gilts				
- Fixed interest	5.0	4.3	4.7	4.5
- RPI linked	5.0	4.2	4.6	4.4
- Non-gilts				
- Fixed interest	5.4 - 5.8	4.8 - 5.5	5.1 - 5.5	4.9 - 5.8
- RPI linked	5.2 - 5.6	4.8 - 5.2	5.1 - 5.4	4.8 - 5.3
- Equities and property	7.6	6.9	7.3	7.1
<i>Risk discount rate (after tax)</i>	7.5	6.8	7.2	7.0
<i>Inflation</i>				
- Expenses/earnings	4.0	3.5	3.8	3.3
- Indexation	3.0	2.5	2.8	2.3
USA				
Reinvestment rate	5.3	4.3	4.8	4.8
Risk discount rate (after tax)	7.2	6.1	6.8	6.4
Europe				
Government bond return	4.5	4.0	4.5	4.5
Risk discount rate (after tax)	8.0	7.5	8.0	8.0

Operational assumptions, which are reviewed annually to reflect recent operating experience, are largely unchanged from those made at the end of 2003 except for changes to the annuitant longevity assumptions which were announced on 2 July 2004. The value of new business has been calculated using actual acquisition costs.

17. Alternative assumptions

The discount rate appropriate to any investor will depend on the investor's own requirements, tax and perception of the risks associated with the anticipated cash flows to shareholders. The table below shows the effect of alternative discount rates and equity and property yields on the UK life and pensions embedded value and new business contribution for the period.

	As published £m	1% lower risk discount rate £m	1% higher risk discount rate £m	1% higher equities/property yields £m
Effect on embedded value at 30 June 2004	4,329	+280	-250	+200
Effect on new business contribution for the period	134	+20	-18	+10

It should be noted that in calculating the alternative values all other assumptions are left unchanged.

Notes to Financial Statements - Achieved Profits Basis

Six months ended 30 June 2004

18. Contingent liabilities, guarantees and indemnities

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

On 27th November 2003, Legal & General Assurance Society Limited (the Society) referred to the Financial Services and Markets Tribunal (Tribunal) a Decision Notice issued by the FSA in relation to the sale of a small proportion of its mortgage related endowment policies issued between 1997 and 1999 (Notice). The matters contained in the Notice will be determined by the Tribunal later this year.

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

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

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

Part 3

Legal & General Group Plc

P1

Consolidated Profit and Loss Account - Modified Statutory Solvency Basis

Six months ended 30 June 2004

	Notes	30.6.04 £m	30.6.03 restated £m	Full year 2003 restated £m
<i>Profit on continuing operations</i>				
Life and pensions	1	215	211	443
Institutional fund management		32	25	55
General insurance		20	19	41
Other operational income		17	3	18
Operating profit		284	258	557
Variation from longer term investment return		(26)	20	56
Change in equalisation provision		(4)	(4)	(7)
Shareholder retained capital (SRC) movement	2	(170)	(30)	(137)
Profit on ordinary activities before tax		84	244	469
Tax charge	3	(26)	(55)	(65)
Profit for the financial period		58	189	404
Dividends		(104)	(102)	(318)
Retained (loss)/profit		(46)	87	86
Earnings per share				
	4	p	p	p
Based on operating profit after tax		3.14	2.79	6.10
Based on profit for the financial period		0.89	2.91	6.22
Diluted earnings per share				
	4			
Based on operating profit after tax		3.08	2.75	6.00
Based on profit for the financial period		0.89	2.87	6.12
Dividend per share		1.61	1.57	4.90

These financial statements were approved by the Board on 28 July 2004.

The results for the six months to 30 June 2004 and 30 June 2003 are unaudited, but have been subject to a review by the auditors and constitute non statutory accounts within the meaning of Section 240 of the Companies Act 1985. They have been prepared on a basis which is consistent with the financial statements for the year ended 31 December 2003 except that the Urgent Issues Task Force abstract 38, 'Accounting for ESOP trusts' has been adopted and the shareholders' investment return of Institutional fund management has been reanalysed to provide a longer term rate of return within operating profit, 2003 comparatives have been restated accordingly.

The results for year ended 2003 have been taken from the financial statements for the year ended 2003 which have been filed with the Registrar of Companies and include an auditors' report which is unqualified and does not contain a statement under either Sections 237(2) or 237(3) of the Companies Act 1985.

These figures have been prepared for long term business using the Modified Statutory Solvency (MSS) basis. The Achieved Profits (AP) results are included in Part 2.

Consolidated Balance Sheet - Modified Statutory Solvency Basis

Six months ended 30 June 2004

	Notes	At 30.6.04 £m	At 30.6.03 Restated £m	At 31.12.03 Restated £m
<i>Assets</i>				
Investments		35,262	33,872	35,268
Assets held to cover linked liabilities		93,986	75,733	84,308
Other assets		5,931	5,575	5,349
		135,179	115,180	124,925
<i>Liabilities</i>				
Shareholders' funds	5	3,198	3,259	3,248
Fund for future appropriations		1,434	633	1,498
Technical provisions		126,392	107,015	117,341
Borrowings and other creditors		4,155	4,273	2,838
		135,179	115,180	124,925

Statement of Total Recognised Gains and Losses

	At 30.6.04 £m	At 30.6.03 £m	At 31.12.03 £m
Profit for the financial period	58	189	404
Exchange losses	(3)	0	(11)
Total recognised gains and losses	55	189	393

Notes to Financial Statements - Modified Statutory Solvency Basis

Six months ended 30 June 2004

1. Life and pensions operating profit

	30.6.04 £m	30.6.03 £m	Full year 2003 £m
With-profits business	33	38	74
Non profit business	145	136	295
UK	178	174	369
USA	26	28	57
Netherlands	10	9	17
France	1	0	0
	215	211	443

UK life and pensions operating profit is the accrued distributable transfer, grossed up at the corporate tax rate, and for non profit business is augmented by the distribution in respect of the intra-group subordinated debt capital held within the SRC. Profits for international life and pensions business are reported on bases consistent with MSS.

2. Change in SRC

	30.6.04 £m	30.6.03 £m	Full year 2003 £m
Investment income	34	37	73
Interest expense and charges	(1)	(1)	(2)
Realised investment gains/(losses)	59	(13)	20
Unrealised investment (depreciation)/appreciation	(26)	93	230
Investment return on SRC	66	116	321
Net capital invested in non profit business	(91)	(10)	(163)
Distribution of operating profit from non profit business	(145)	(136)	(295)
SRC movement before tax	(170)	(30)	(137)
SRC at 1 January	2,212	2,259	2,259
SRC movement before tax	(170)	(30)	(137)
Tax credit	57	15	90
SRC movement after tax	(113)	(15)	(47)
Change in the net asset values of SRC subsidiaries	0	(1)	0
SRC at end of period	2,099	2,243	2,212

SRC includes intra-group subordinated debt capital of £602m.

Notes to Financial Statements - Modified Statutory Solvency Basis

Six months ended 30 June 2004

3. Analysis of tax

	30.6.04 Profit before tax £m	30.6.04 Tax (charge)/ credit £m	30.6.03 Profit before tax £m	30.6.03 Tax (charge)/ credit £m	Full year 2003 Profit before tax £m	Full year 2003 Tax (charge)/ credit £m
<i>Profit on continuing operations</i>						
UK life and pensions	178	(53)	174	(52)	369	(110)
International life and pensions	37	(12)	37	(13)	74	(28)
	215	(65)	211	(65)	443	(138)
Institutional fund management	32	(10)	25	(7)	55	(16)
General insurance	20	(6)	19	(6)	41	(13)
Other operational income	17	1	3	1	18	6
Operating profit	284	(80)	258	(77)	557	(161)
Variation from longer term investment return	(26)	(4)	20	6	56	4
Change in equalisation provision	(4)	1	(4)	1	(7)	2
SRC movement	(170)	57	(30)	15	(137)	90
Profit on ordinary activities and tax	84	(26)	244	(55)	469	(65)

Although the SRC has been recognised as profit in these financial statements, there has been no corresponding recognition in the FSA regulatory returns, on which the taxation of life assurance business is currently based. As the payment of incremental tax on this profit depends upon a future event, the occurrence of which is under the company's control, no event giving rise to the need to provide deferred tax has occurred. Accordingly no additional deferred tax has been provided. The maximum amount of such deferred tax not provided at 30.6.04 was £634m (30.6.03: £676m; 31.12.03: £668m).

Notes to Financial Statements - Modified Statutory Solvency Basis

Six months ended 30 June 2004

4. Earnings per share (EPS)

	Profit/ (loss) £m	Earnings per share p	Weighted average number of shares m
Six months ended 30.6.04			
Operating profit after tax on continuing operations	204	3.14	6,491
Variation from longer term investment return	(30)	(0.46)	
Change in equalisation provision	(3)	(0.05)	
Change in SRC	(113)	(1.74)	
	<hr/>	<hr/>	<hr/>
Profit for the period/EPS	58	0.89	6,491
Net shares under options allocable for no further consideration	-	-	22
Convertible bonds outstanding*	-	-	285
	<hr/>	<hr/>	<hr/>
Diluted profit for the period/EPS	58	0.89	6,798
Six months ended 30.6.03			
Operating profit after tax on continuing operations	181	2.79	6,489
Variation from longer term investment return	26	0.40	
Change in equalisation provision	(3)	(0.05)	
Change in SRC	(15)	(0.23)	
	<hr/>	<hr/>	<hr/>
Profit for the period/EPS	189	2.91	6,489
Net shares under options allocable for no further consideration	-	-	9
Convertible bonds outstanding	6	(0.04)	285
	<hr/>	<hr/>	<hr/>
Diluted profit for the period/EPS	195	2.87	6,783
Full year ended 31.12.03			
Operating profit after tax on continuing operations	396	6.10	6,490
Variation from longer term investment return	60	0.92	
Change in equalisation provision	(5)	(0.08)	
Change in SRC	(47)	(0.72)	
	<hr/>	<hr/>	<hr/>
Profit for the financial year/EPS	404	6.22	6,490
Net shares under options allocable for no further consideration	-	-	15
Convertible bonds outstanding	12	(0.10)	285
	<hr/>	<hr/>	<hr/>
Diluted profit for the financial year/EPS	416	6.12	6,790

* These shares are antidilutive as they would increase the net profit per share, and are therefore ignored along with their associated revenue impact in the calculation of diluted earnings per share.

Notes to Financial Statements - Modified Statutory Solvency Basis

Six months ended 30 June 2004

5. Shareholders' funds

	30.6.04 £m	30.6.03 Restated £m	Full year 2003 Restated £m
At 1 January as originally published	3,248	3,184	3,184
Prior year adjustment in respect of UITF 38	-	(13)	(13)
At 1 January as restated	3,248	3,171	3,171
Total recognised gains and losses	55	189	393
Dividends	(104)	(102)	(318)
Increase in share capital/premium	0	0	1
Allocation of ESOT shares	(1)	1	1
At end of period	3,198	3,259	3,248
Comprising:			
Share capital	163	163	163
Share premium	906	905	906
ESOT reserve	(13)	(12)	(12)
Profit and loss account	2,142	2,203	2,191
	3,198	3,259	3,248

The number of fully paid ordinary shares of 2.5p in issue at the period end was 6,505m (1H03: 6,503m; FY03: 6,504m). UITF abstract 38 'Accounting for ESOP trusts' requires that own shares held within the Employee Share Ownership Trust (ESOT) should be accounted for as a deduction from shareholders' funds rather than be disclosed as an investment as was previously required. The 2003 amounts have been restated accordingly.

Notes to Financial Statements - Modified Statutory Solvency Basis

Six months ended 30 June 2004

6. Segmental analysis of shareholders' funds

	At 30.6.04 £m	At 30.6.03 Restated £m	At 31.12.03 Restated £m
UK solvency capital			
SRC*	2,099	2,243	2,212
Society shareholder capital (SSC)**	1,892	1,830	1,905
Society solvency capital	3,991	4,073	4,117
General insurance	136	108	120
UK solvency capital	4,127	4,181	4,237
International shareholders' funds			
- USA	458	460	443
- Netherlands	40	31	36
- France	46	38	45
	4,671	4,710	4,761
Institutional fund management	196	179	176
Corporate funds***	(1,669)	(1,630)	(1,689)
Shareholders' funds on the MSS basis	3,198	3,259	3,248
Less: Purchased interests in long term business included in above	(31)	(27)	(29)
AP long term in-force business asset	2,556	2,028	2,365
Shareholders' funds on the AP basis	5,723	5,260	5,584

* Includes £602m of intra-group subordinated debt capital attributed to the SRC.

** Includes £788m from the 2002 rights issue and aggregated investment returns of £122m (1H03: £65m; FY03: £139m).

*** Includes the convertible debt of £519m (1H03: £517m; FY03: £518m) and £602m of senior debt which has been onlent to the UK Long Term Fund.

7. UK Long Term Fund

	At 30.6.04 £bn	At 30.6.03 £bn	At 31.12.03 £bn
With-profits business	25.4	24.0	25.3
Non profit business	15.4	12.9	14.3
Sub-fund	0.2	0.2	0.2
SRC	2.1	2.2	2.2
	2.3	2.4	2.4
Value of fund	43.1	39.3	42.0

Consolidated Cash Flow Statement (excluding long term business)

Six months ended 30 June 2004

	30.6.04	30.6.03 restated	Full year 2003 restated
	£m	£m	£m
Net cash inflow from operating activities	348	493	407
Interest paid	(29)	(30)	(58)
Tax (paid)/received	(6)	6	(2)
Capital expenditure - net payments	-	1	-
Dividends paid	(216)	(211)	(313)
Issue of share capital	0	0	1
(Increase)/decrease in shares held by the ESOT	(1)	1	1
Increase/(decrease) in borrowing	41	(165)	(76)
Financing	40	(164)	(74)
	137	95	(40)
<i>Cash flows (not including long term business) were invested/(divested) as follows:</i>			
Increase in cash holdings	8	8	2
Net purchase/(sale) of investments	129	87	(42)
Net investment/(divestment)	137	95	(40)
Reconciliation of profit before tax to operating cash flow			
Profit on ordinary activities before tax	84	244	469
Profit relating to life and pensions business	(45)	(181)	(308)
Long term business profit included in Institutional fund management	(23)	(18)	(40)
Cash received from life and pensions business	232	275	275
Cash received from Institutional fund management	28	24	24
Increase in other operating creditors	25	246	19
Other items	47	(97)	(32)
Net cash inflow from operating activities	348	493	407

Part 4

Legal & General Investment Management

- supplementary information

During the first half of 2004, Legal & General Investment Management built on its position as the largest UK fund manager. Strong new business and lower than anticipated outflows helped push total funds under management to a record £146bn. Fund management success was also highlighted at the 2004 Professional Pensions Awards, where Legal & General Investment Management won Fixed Interest Manager of the Year and Pooled Fund Manager of the Year.

Profits - Modified Statutory Solvency basis

Operating profit from institutional fund management was up 28% to £32m (1H03: £25m).

Corporate Pensions profitability increased 35% from £17m to £23m. New business levels have been exceptional, with gross new business for the first half of 2004 up 55%, at £8.7bn (1H03: £5.6bn). There has been continued success in attracting active fixed interest clients. Sales of these products represented 19% (1H03: 12%) of gross new business. Despite a general market shift out of UK equity assets, principally into fixed interest and some overseas equities, the fee rate achieved on the core business has remained stable. Client numbers at the end of June 2004 were 2,549 compared with 2,425 at the end of 2003, an increase of 5%. Tight cost control meant that total costs were lower than in the equivalent period in 2003.

Legal & General Ventures, the private equity arm, successfully completed 8 exits realising over £280m of cash for investors and made 2 new investments in the period. Additionally, the 2004 annual partnership closed with commitments in excess of £180m, an increase of 17% over the prior year's partnership. Profit for the period was £1m (1H03: £2m).

The Property fund management subsidiary benefited from a full period's revenue on its seven external property partnerships, generating profits of £2m (1H03: £1m).

Total funds under management increased by 19% to £146bn (1H03: £123bn). Excluding internal funds managed for Legal & General Assurance Society Ltd, total funds under management exceeded £100bn for the first time.

Profits - Achieved Profits basis

Managed pension fund business is written as a long-term contract and so the results of the business are also presented on an Achieved Profits basis. The embedded value assumptions are detailed in Part 2 of this announcement.

Operating profit from institutional fund management was up 35% at £50m (1H03: £37m). The contribution from in-force business was higher at £24m (1H03: £17m). Lapse experience in the first six months of 2004 was significantly below long term expectations, compared with the first half of 2003, where experience was in-line with expectations. The new business contribution was up 42%, to £17m (1H03: £12m), on the back of the higher level of new business. Profit before tax increased to £49m (1H03: £40m).

Fund Performance

The flagship actively managed pooled corporate pension funds, including the balanced, UK equity and fixed interest funds, were all above benchmark over the one-year to May 2004. 75% of the retail flagship actively managed funds were above median over one year, while the performance of the smaller/specialist retail active funds was mixed. Index funds met their tracking parameters in the year to June 2004.

Part 4

Legal & General Investment Management

P1

Consolidated Profit and Loss Account - Modified Statutory Solvency Basis

Six months ended 30 June 2004

	30.6.04	30.6.03	Full year
	£m	restated £m	2003 restated £m
<i>Profit on continuing operations</i>			
Corporate pensions	23	17	41
Ventures	1	2	3
Property	2	1	3
Other external income	2	1	3
Other operational income	4	4	5
	<hr/>	<hr/>	<hr/>
Operating profit	32	25	55
Variation from longer term investment return	(2)	0	(2)
	<hr/>	<hr/>	<hr/>
Profit on ordinary activities before tax	30	25	53
Tax charge on profit on ordinary activities	(9)	(7)	(16)
	<hr/>	<hr/>	<hr/>
Profit for the financial period	21	18	37

These financial statements were approved by the Group Board on 28 July 2004 and have been prepared for long term business using the Modified Statutory Solvency basis. The Achieved Profits results are included in page 4.

The results for the six months to 30 June 2004 and 30 June 2003 are unaudited, but have been subject to a review by the auditors and constitute non-statutory accounts within the meaning of Section 240 of the Companies Act 1985. They have been prepared on a basis which is consistent with the financial statements for the year ended 31 December 2003 except for shareholders investment return of Institutional fund management which has been reanalysed to provide a longer term rate of return within operating profit, 2003 comparatives have been restated accordingly.

The 2003 Accounts have been filed with the Registrar of Companies and include an auditors' report which is unqualified and does not contain a statement under either sections 237(2) or 237(3) of the Companies Act 1985.

Funds under management

Six months ended 30 June 2004

	At 30.6.04 £m	At 30.6.03 £m	At 31.12.03 £m
Total investments	145,854	122,583	135,337
<i>Represented by</i>			
Index tracking funds:			
- UK equities	44,806	38,442	42,944
- Overseas equities	22,898	19,813	21,144
- Fixed interest	18,295	15,051	16,950
- Index linked	13,071	8,666	10,650
- Cash/deposits	482	293	359
Total index tracking funds	99,552	82,265	92,047
Actively managed funds	46,302	40,318	43,290
	145,854	122,583	135,337
<i>By fund management approach</i>			
Indexed equities	67,704	58,255	64,088
Active bonds (including index linked funds)	31,760	26,911	28,883
Indexed bonds (including index linked funds)	31,848	24,010	27,959
Active equities	8,123	7,336	7,905
Property	6,118	5,614	6,022
Private equity (ventures)	301	457	480
	145,854	122,583	135,337
<i>By source of business</i>			
Institutional funds under management*:			
- Managed pension funds pooled	81,502	64,600	72,841
- Managed pension funds segregated	9,327	6,980	8,522
- Other	2,594	3,084	2,713
Total institutional funds under management	93,423	74,664	84,076
UK Operations (unit trusts - excluding life fund investment)	7,392	6,150	6,948
UK Operations (life and general insurance funds)	45,039	41,769	44,313
	145,854	122,583	135,337

* excludes institutional investments in unit trust funds

New business

Six months ended 30 June 2004

	6 months 30.6.04 £m	3 months 30.6.04 £m	3 months 31.3.04 £m	6 months 30.6.03 £m	3 months 30.6.03 £m	3 months 31.3.03 £m
Managed pension funds*						
- Pooled funds	7,610	3,198	4,412	5,207	2,456	2,751
- Segregated funds	1,063	101	962	359	347	12
	8,673	3,299	5,374	5,566	2,803	2,763
Other funds	70	13	57	414	349	65
	8,743	3,312	5,431	5,980	3,152	2,828
				30.6.04 £m	30.6.03 £m	Full year 2003 £m
Managed pension funds*						
- Pooled funds				7,610	5,207	11,066
- Segregated funds				1,063	359	1,504
				8,673	5,566	12,570
Other funds**				70	414	482
				8,743	5,980	13,052
<i>By fund management approach</i>						
Active equities				5.6%	1.4%	0.0%
Active bonds (including cash)				21.8%	11.6%	11.8%
Indexed equities				46.4%	51.4%	59.0%
Indexed bonds (including cash)				21.8%	31.6%	27.3%
Property				4.2%	3.6%	1.7%
Private equity				0.2%	0.4%	0.2%
				100.0%	100.0%	100.0%

* New monies from pension fund clients of Legal & General Assurance (Pensions Management) Ltd. Corporate pensions gross new business excludes £2.2bn (1H03: £1.0bn; FY03: £4.0bn) which was held through the year on a temporary basis, generally as part of a portfolio reconstruction.

** Includes segregated property, property partnerships, ventures and institutional clients excluding trusts.

Consolidated Profit and Loss Account - Achieved Profits Basis

Six months ended 30 June 2004

	30.6.04	30.6.03 restated	Full year 2003 restated
	£m	£m	£m
<i>Profit on continuing operations</i>			
Managed pension funds:			
Contribution from:			
New business	17	12	31
In-force business			
- expected return	8	6	13
- experience variances	8	1	5
- operating assumption changes	8	10	20
Development costs	0	0	(1)
Shareholder net worth	3	3	5
Total	44	32	73
Ventures	1	2	3
Property	2	1	3
LGIM	2	1	3
Other operational income	1	1	-
Operating profit from institutional fund management	50	37	82
Variation from longer term investment return*	0	3	14
Effect of economic assumption changes	(1)	-	-
Profit on ordinary activities before tax	49	40	96
Tax charge on profit on ordinary activities	(16)	(12)	(29)
Profit for the financial period	33	28	67

* The variation from longer term investment return represents the effect of the investment performance in respect of shareholder net worth and in-force business, compared with embedded value assumptions at the beginning of the period.

Managed pension funds embedded value

	30.6.04	30.6.03	Full year 2003
	£m	£m	£m
At 1 January	305	262	262
Profit after tax	31	25	61
Distributions and capital movements	-	-	(18)
At period end	336	287	305
comprising:			
Value of in-force business	175	142	162
Shareholder net worth	161	145	143
	336	287	305