

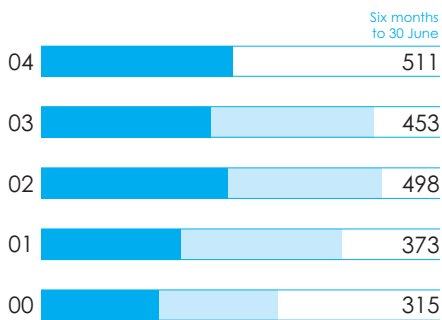
delivering
more...

Interim Report 2004

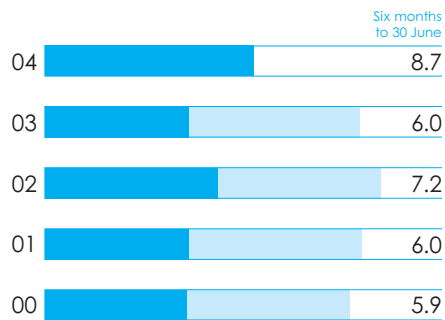


Financial Highlights

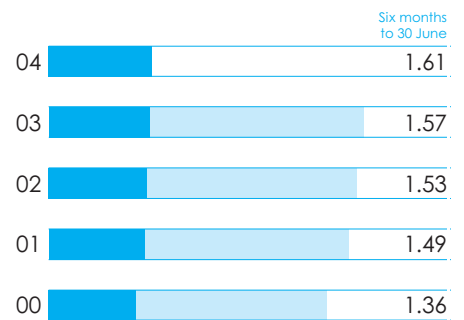
Worldwide New Business APE* (£m)



New Institutional Funds (£bn)



Dividend per share (pence)



■ Half year
■ Full year

- 1 Operating Review
- 6 Profit and Loss Account (AP Basis)**
- 7 Balance Sheet (AP Basis)**
- 7 Notes to the Financial Statements (AP Basis)**
- 13 Profit and Loss Account (MSS Basis)***
- 13 Balance Sheet (MSS Basis)***
- 14 Cash Flow Statement (MSS Basis)***
- 14 Notes to the Financial Statements (MSS Basis)***
- 15 Independent Review Report
- 16 Shareholder Information

* Annual Premium Equivalent
** Achieved Profits Basis
*** Modified Statutory Solvency Basis



David Prosser
Group Chief Executive



Rob Margetts
Chairman

Operating Review

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 Annual Premium Equivalent (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 our efforts have delivered excellent results, particularly in sales of investment products. New business from this channel reached £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 the mix of the business sold this half year versus a year previously. Overall, bond sales increased as demand for unit linked products grew significantly. However, with-profit bond sales fell. Bulk purchase annuity sales, where particularly large schemes can occasionally distort sales comparisons, 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.

Underlying profitability was strong on both our reporting bases. However, our pre-tax profits have been affected by our decision to increase the reserves in place to pay future annuity liabilities.

Legal & General is a leading provider of annuities in the UK. The evidence from our more mature books of business is that mortality improvements have been in line with our recent Achieved Profits (AP) experience assumptions.

New business has grown strongly across almost all areas of the Group.

However, research does now suggest that the level of mortality improvement currently being experienced year on year may persist for longer than previously anticipated. Accordingly, Legal & General has decided to adjust its mortality improvement bases.

On the AP basis, the charge for adopting this more conservative reserving assumption was £240m and it was the primary reason for the reduction in Operating Profit before tax from £365m to £292m. The fact that the profit decline was only £73m despite the £240m charge was due to the strong underlying profitability of our core life and pensions and investment management businesses.

On the Modified Statutory Solvency basis, the charge for adopting the new annuity reserving approach was £414m pre-tax, seen as a reduction in the shareholder retained capital (SRC) in the UK long term fund. However, this was largely offset by releases from other reserves with the result that profit before tax fell by only £160m. Operating profit before tax, which is calculated before the reserving adjustment, grew from £258m to £284m.

Looking forward, we believe the market outlook is encouraging. Protection sales are expected to remain strong and we believe individual investors are looking again 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 that the sector will continue to concentrate and that this will provide Legal & General with further opportunities to achieve yet more 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.

The Legal & General Partnership

A new partnership for mortgage advisers.

The Financial Services Authority (FSA) will begin regulating the sale of mortgages on 31 October 2004.

For consumers, this important move will represent a further increase in the protection available to them from regulation. For mortgage intermediaries, the move will involve an entirely new environment in which they must operate.

Legal & General is the leading provider of mortgage-related life assurance plans in the UK. Our products represent good value for customers whilst our efficient e-based support is attractive to intermediaries. As a result, we have longstanding relationships with many partner intermediaries.

Responding to the new regulatory environment, Legal & General has now developed a market-leading

proposition, 'The Legal & General Partnership', which will enable intermediaries to offer their customers the best level of advice and service once the new regulations take effect. For mortgage advisers who do not wish to be directly authorised by the FSA, Legal & General's new company will provide the necessary regulatory processes for compliance with the new regime as well as a range of technological and business support services to give them a competitive advantage in the new market.

For advisers, this represents a sound business proposition. For Legal & General, it represents an opportunity to develop further our important mortgage market distribution and to win yet more sales of our good value life protection and general insurance products.

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

ISAs and unit trusts

Investment sales in the second quarter, which experienced 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

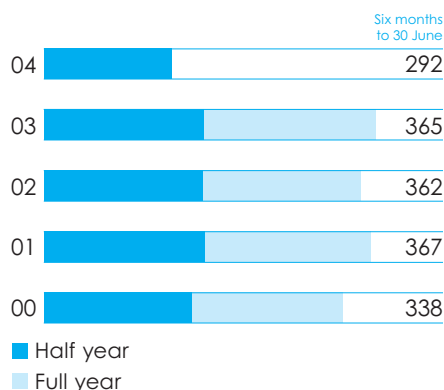
Group new business increased by 19% to £62m APE (1H03:£52m). We have benefited from strong growth in group risk premiums, as the market concentrates on a smaller number of providers. Bulk purchase annuity single premiums were higher in the second quarter than the first but the first half as a whole was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

Analysis of Profit – Achieved Profits (AP) basis

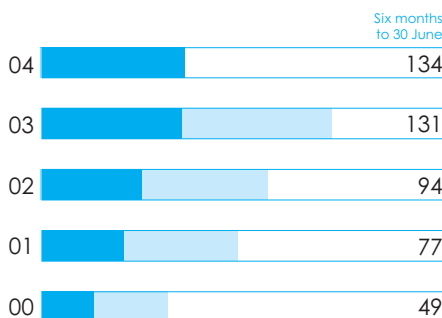
UK life and pensions profit

Operating profit was £165m (1H03:£260m). The contribution from in-force business fell by £240m before tax as a result of the more conservative annuitant mortality assumptions referred to in the Overview and Outlook section. The negative impact of the changed mortality assumptions was partly offset by other operating assumption changes of £28m and by favourable experience variances of £40m.

Operating Profit on continuing operations (AP Basis) (£m)



Value added from UK Life and Pensions new business (£m)



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 also 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).

Distribution Funds

Offering products which match consumers' changing preferences is a key requirement if a company such as Legal & General is to be successful in its marketplace.

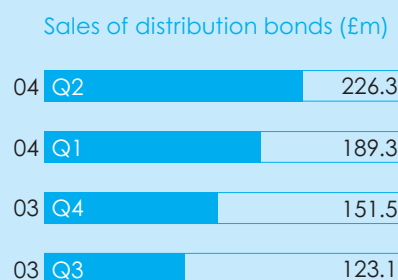
Reflecting the difficult market of the last several years, we were not surprised to discover through market research that the appetite for risk on the part of many investors had reduced significantly and that their investment objectives had switched from products focusing on capital growth to ones concentrating on generating and delivering income.

In this new investment environment, Legal & General's range of Distribution Bonds has proved extremely popular. Since their investment objective is primarily income generation, the four funds in the Distribution Fund range have an investment emphasis towards fixed interest. Then each of the individual funds complements the core fixed income investment with investments in specialist equity and property funds. The precise

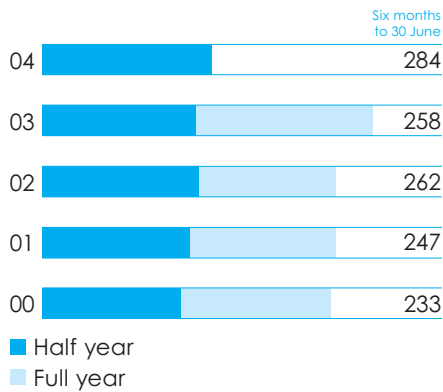
allocation is tailored to match the individual fund's investment objective.

The success and popularity of this product range has been demonstrated by the rapid growth in sales achieved over the past year (see table below).

Legal & General is now, by sales, the UK's largest provider of Distribution Funds with funds under management approaching £2bn.



Operating Profit on continuing operations (MSS Basis) (£m)



General insurance

Net written premiums grew 17% to £215m (1H03: £184m) reflecting good growth in all distribution channels, particularly Broker, Barclays Bank and Mortgage Lenders. 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 General Insurance 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

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 on 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,

Our People Values

Our people values are embedded in our business through all our employees' six-monthly performance reviews.

From our senior management to our temporary staff, everyone's behaviour is discussed and assessed against these values. They reflect our brand and are an essential part of our culture.

Our people values are:

Can do – we find ways to make things happen

Results driven – what really counts is what we deliver

Teamwork – we recognise the value of working together to meet our goals

Customer focus – we understand the needs and views of others

Open – we share knowledge, information and ideas freely
Integrity – we are always honest and do the right thing

Our recent employee survey strongly reaffirmed that Legal & General lives these values throughout our business.





Life Insurer of the Year for five years running
Legal & General was named Life Insurer of the Year for the sixth time in seven years at the British Insurance Awards 2004

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 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%

Financial Literacy

Legal & General is committed to helping to improve financial awareness and financial literacy within the UK's population.

We firmly believe that people should feel fully equipped to understand both their financial needs and the solutions available to them.

Financial awareness is particularly important to people approaching retirement. Legal & General was therefore very pleased to be asked by Age Concern to work with them in sponsoring a new book they wished to publish to help people in just this position. The book, entitled "The Complete Money Plan" was written by Paul Lewis, from BBC Radio's Money Box programme. It provides its readers with clear, easily understood information and guidance on saving and investing for retirement, on how best to manage money

and debts, and how to cope with life changes such as disability or moving abroad. Over 40,000 copies of a free booklet summarising the book have been sent to Age Concern branches around the country and already, in the first month since publication, sales of the book, which retails at £6.99, are going well.

Legal & General's commitment to improving financial awareness is part of its annual £2 million Community Involvement spend.



(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.

Achieved Profits Basis

Consolidated Profit and Loss Account

Six months ended 30 June 2004

	Notes	30.6.04 £m	30.6.03 restated £m	Full year 2003 restated £m
Profit on continuing operations				
Life and pensions	4	205	306	620
Institutional fund management		50	37	82
General insurance	5	20	19	41
Other operational income	6	17	3	18
Operating profit		292	365	761
Variation from longer term investment return	8	88	86	422
Change in equalisation provision		(4)	(4)	(7)
Effect of economic assumption changes	9	(11)	(8)	(32)
Effect of UK Budget tax change	10	–	(27)	(27)
Profit on ordinary activities before tax		365	412	1,117
Tax charge on operating profit		(80)	(105)	(209)
Tax charge on other profits		(30)	0	(49)
Tax charge on profit on ordinary activities		(110)	(105)	(258)
Profit for the financial period		255	307	859
Dividends		(104)	(102)	(318)
Retained profit		151	205	541

Earnings per share

	p	p	p
Based on operating profit after tax	3.26	8.49	4.01
Based on profit for the financial period	3.93	13.24	4.73

Diluted earnings per share

Based on operating profit after tax	3.20	8.28	3.92
Based on profit for the financial period	3.84	12.83	4.61

Dividend per share

	1.61	1.57	4.90
--	------	------	------

The dividend will be paid on 1 October 2004 to shareholders on the register on 10 September 2004

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 the 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 Achieved Profits (AP) basis. The Modified Statutory Solvency (MSS) results are included at pages 13-15.

Achieved Profits Basis Consolidated Balance Sheet

Six months ended 30 June 2004

	Notes	At 30.6.04 £m	At 30.6.03 restated £m	At 31.12.03 restated £m
Assets				
Investments		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
Liabilities				
Shareholders' funds		5,723	5,260	5,584
Fund for future appropriations		1,434	633	1,498
Technical provisions		126,392	107,015	117,341
Borrowings	12	1,512	1,409	1,475
Other creditors		2,643	2,864	1,363
		137,704	117,181	127,261

Notes to the Financial Statements

1. New business

	30.6.04 Annual £m	30.6.04 Single £m	30.6.03 Annual £m	30.6.03 Single £m	Full year 2003 Annual £m	Full year 2003 Single £m
Life and pensions						
Life	115	820	84	515	183	1,126
Individual pensions	61	562	57	516	114	1,180
Group pensions	2	232	2	370	4	603
UK	178	1,614	143	1,401	301	2,909
USA	27	0	27	8	47	10
Netherlands	6	64	6	46	12	96
France	10	68	4	49	7	124
Total worldwide insurance business	221	1,746	180	1,504	367	3,139
Retail investment business						
ISAs – UK	13	389	15	393	27	572
Unit trusts – UK	1	621	4	632	6	1,117
France	–	8	–	10	–	25
Total worldwide new business	235	2,764	199	2,539	400	4,853
Institutional fund management*		8,743		5,980		13,052

Annual premium equivalent (APE) is calculated for total new business, including ISAs and unit trusts, and comprises the new annual premiums together with 10% of single premiums. APE from insurance business in the first six months was £395m (1H03: £330m; FY03: £681m). APE from total new business in the same period was £511m (1H03: £453m; FY03: £885m).

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

2. 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

Achieved Profits Basis

Notes to the Financial Statements

3. 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).

4. 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

5. 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
	215	20	184	19	387	41

Achieved Profits Basis

Notes to the Financial Statements

6. 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)
	26	20	42
Other operations	(1)	(10)	(14)
Unallocated corporate and development expenses	(8)	(7)	(10)
	17	3	18

7. General insurance and shareholder 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
	14	52	121
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
	(26)	20	56

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.

8. Variation from longer term investment return

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

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.

Achieved Profits Basis

Notes to the Financial Statements

9. 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)
Managed pension funds	(1)	–	–
	(11)	(8)	(32)

10. Effect of UK Budget tax changes

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.

11. Funds under management

	At 30.6.04 £m	At 30.06.03 Restated £m	At 31.12.03 Restated £m
Pooled pension fund investments	81,502	64,600	72,841
Other balance sheet investments	47,746	45,005	46,735
	129,248	109,605	119,576
Segregated funds	11,784	8,714	11,235
ISAs, Unit trusts and PEPs	7,418	6,176	6,975
	148,450	124,495	137,786

12. Analysis of 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
	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.

13. Embedded value of long term business

	At 30.6.04 UK Life and pensions £m	At 30.6.04 International Life and pensions £m	At 30.6.03 UK Life and pensions £m	At 30.6.03 International Life and pensions £m	At 31.12.03 UK Life and pensions £m	At 31.12.03 International Life and pensions £m
Value of in-force business	2,849	471	2,296	432	2,668	429
Shareholder net worth	1,480	193	1,667	236	1,585	228
Embedded value	4,329	664	3,963	668	4,253	657
	Managed pension funds £m	Total £m	Managed pension funds £m	Total £m	Managed pension funds £m	Total £m
Value of in-force business	175	3,495	142	2,870	162	3,259
Shareholder net worth	161	1,834	145	2,048	143	1,956
Embedded value	336	5,329	287	4,918	305	5,215

Achieved Profits Basis

Notes to the Financial Statements

14. Reconciliation of shareholder net worth of long term business operations

	At 30.6.04 £m	At 30.6.03 £m	At 31.12.03 £m
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

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

** 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.

15. Assumptions

Key economic assumptions are set out below and should be read in conjunction with 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.

	At 30.6.04 % pa	At 30.6.03 % pa	At 31.12.03 % pa	At 31.12.02 % pa
UK				
Investment return				
– 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
Risk discount rate (after tax)	7.5	6.8	7.2	7.0
Inflation				
– 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 rate	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.

Achieved Profits Basis

Notes to the Financial Statements

16. 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.

17. Accounting for ESOP trusts

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 comparatives have been restated accordingly.

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 27 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.

Modified Statutory Solvency Basis

Consolidated Profit and Loss Account

Six months ended 30 June 2004

	Notes	30.6.04 £m	30.6.03 restated £m	Full year 2003 restated £m
Profit on continuing operations				
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	3	(170)	(30)	(137)
Profit on ordinary activities before tax		84	244	469
Tax charge on operating profit		(80)	(77)	(160)
Tax credit on other losses		54	22	95
Tax charge on profit on ordinary activities		(26)	(55)	(65)
Profit for the financial period		58	189	404
Dividends		(104)	(102)	(318)
Retained (loss)/profit		(46)	87	86
Earnings per share				
		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				
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

Consolidated Balance Sheet

Six months ended 30 June 2004

	At 30.6.04 £m	At 30.6.03 Restated £m	At 30.12.03 Restated £m
Assets			
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
Liabilities			
Shareholders' funds	3,198	3,259	3,248
Fund for future appropriations	1,434	633	1,498
Technical provisions	126,392	107,015	117,341
Borrowings	1,512	1,409	1,475
Other creditors	2,643	2,864	1,363
	135,179	115,180	124,925

Modified Statutory Solvency Basis Consolidated Cash Flow Statement (excluding long term business)

	30.6.04 £m	30.6.03 restated £m	31.12.03 restated £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)
Financing	40	(164)	(74)
	137	95	(40)

Cash flows (not including long term business) were invested/(divested) as follows:

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 long term business and SRC	(45)	(181)	(308)
Long term business profit included in Institutional fund management	(23)	(18)	(40)
Cash received from long term 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

Notes to the Financial Statements

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
Worldwide	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. Tax

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).

Modified Statutory Solvency Basis Notes to the Financial Statements

3. Movement in shareholder retained capital (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	57	15	90
	(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.

Independent Review Report to Legal & General Group Plc

Introduction

We have been instructed by the company to review the financial information, which comprises the consolidated profit and loss account, the consolidated balance sheet, the consolidated cash flow statement and the related notes 1 to 18 prepared on the Achieved Profits basis, and the consolidated profit and loss account, the consolidated balance sheet, the consolidated cash flow statement and the related notes 1 to 3 prepared on the Modified Statutory Solvency basis (together the "Financial Information"). We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the Financial Information.

Directors' responsibilities

The interim report, including the Financial Information contained therein, is the responsibility of, and has been approved by the directors. The directors are responsible for preparing the interim report in accordance with the Listing Rules of the Financial Services Authority which require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of group management and applying analytical procedures to the Financial Information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with United Kingdom Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information. This report, including the conclusion, has been prepared for and only for the company for the purpose of the Listing Rules of the Financial Services Authority and for no other purpose. We do not, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2004.

PricewaterhouseCoopers LLP
Chartered Accountants
London
28 July 2004

Note:

- The maintenance and integrity of the Legal & General website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the interim report since it was initially presented on the website.
- Legislation in the United Kingdom governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.

Shareholder Information

Shareholders at 30 June 2004

Categories of ordinary shareholder and ranges of shareholdings at 30 June 2004 were:

Category of shareholder	Shareholders		Shares	
	Number	%	Number	%
Individuals	42,072	66.8	460,283,341	7.1
Banks	14	0.0	31,046,914	0.5
Nominee companies	18,817	29.9	5,821,305,849	89.5
Insurance companies and pension funds	36	0.1	27,304,848	0.4
Limited companies	11	0.0	23,569,549	0.3
Other corporate bodies	2,024	3.2	141,506,377	2.2
	62,974	100.0	6,505,016,878	100.0

Range of holdings	Shareholders		Shares	
	Number	%	Number	%
1 – 20,000	54,552	86.6	277,108,763	4.3
20,001 – 100,000	6,546	10.4	259,835,810	4.0
100,001 – 500,000	1,064	1.7	229,013,388	3.5
500,001 and over	812	1.3	5,739,058,917	88.2
	62,974	100.0	6,505,016,878	100.0

Other shareholder information

Registrars: The Company's share register is administered by Lloyds TSB Registrars, The Causeway, Worthing, West Sussex BN99 6DA (Tel: 0870 600 3954). All shareholder enquiries should be addressed to Lloyds TSB Registrars.

Electronic Share Service: This service allows you to hold shares in Legal & General without the need for a share certificate and enables you to benefit from shorter market settlement periods. Individual shareholders hold their shares in the Company in a nominee holding registered in the name of Lloyds TSB Registrars Corporate Nominee Limited.

If you would like to join this Service, or require further information, you should contact the Registrars directly on 0870 600 3954. They will send you a booklet, which sets out the terms and conditions under which your shares will be held, together with the appropriate share transfer form. The booklet and the share transfer form are also available from the shareholder site of Legal & General's website at www.legalandgeneral.com. You can view your shareholding in Legal & General Group Plc on the internet at www.shareview.co.uk. To register to use this service you should log onto www.shareview.co.uk and follow the instructions on screen. You will need your shareholder reference number, shown on your latest dividend counterfoil. Should you have any queries, please call the shareholder helpline on 0870 600 3954.

Dividend: The record date for the proposed interim dividend for 2004, payable on 1 October 2004, is 10 September 2004 and the shares will trade ex-dividend on the London Stock Exchange from 8 September 2004.

Multiple Share Certificates: Shareholders with more than one certificate for shares may arrange for them to be consolidated into one certificate by contacting Lloyds TSB Registrars.

Individual Savings Account (ISA): Lloyds TSB Registrars provides a Single Company ISA for Legal & General Group Plc shares. If you would like more information please call the helpline on 0870 242 4244.

Capital Gains Tax: For the purpose of calculating UK capital gains tax, the market value on 31 March 1982 of each of the shares was 7.996p, after adjusting for the 1986 capitalisation issue and the 1996 and 1999 sub-divisions, but not reflecting any rights taken up under the 2002 rights issue.

Close Company Provisions: The Company is not a close company within the terms of the Income and Corporation Taxes Act 1988.

Dividend Reinvestment Plan: The Legal & General Dividend Reinvestment Plan ("DRIP") enables shareholders to use their cash dividends in an inexpensive and efficient way to purchase Legal & General Group Plc shares.

Should you wish to participate in the DRIP in respect of the interim dividend to be paid on 1 October 2004, a completed and signed DRIP mandate form should be received by the Registrars no later than 17 September 2004. For further details please contact Lloyds TSB Registrars, The Causeway, Worthing, West Sussex BN99 6DA or call on 0870 241 3018. You can find further information, including the DRIP booklet and mandate form, on the shareholder site of Legal & General's website at www.legalandgeneral.com.

2004 Interim Results Presentation: An audio recording of the presentation given to analysts and fund managers by David Prosser, Group Chief Executive; Andrew Palmer, Group Director (Finance); and Robin Phipps, Group Director (UK Operations), and the slides accompanying that presentation can be found on the shareholder site of Legal & General's website at www.legalandgeneral.com. A full copy of the announcement, sent to the London Stock Exchange on 29 July 2004, can also be viewed on the shareholder site.

Our commitment to you and your family including parents, children, brothers, sisters and your partner or spouse.



delivering shareholder loyalty

15%

Discount

Off standard Buildings and Contents Annual Premiums^①
Please quote 5775-2

15%

Discount

Off Private Medical Insurance Premiums^①

10%

Discount

Off standard Term Assurance Premiums

Up to 2%

Cashback

Available for lump sum investments of £500 or more in a range of our ISAs depending on the fund selected. This includes a choice of over 70 funds from different providers through our Fund

Supermarket^②. You should consider this a medium to long term investment, for example, at least five years. The value of the investment and any income from it may fall as well as rise, is not guaranteed and you may not get back your original investment.

For more information on these and other offers call the shareholder freephone number and quote SHAR YM01. For your protection, we may record and monitor calls. Visit the shareholder website at:

0500 65 55 55

www.legalandgeneral.com/shareholderoffers

Offers are available to shareholders of Legal & General Group Plc who are resident in the UK for tax purposes and who hold Legal & General Group Plc ordinary shares. ^① Supplied by Legal & General Insurance Limited. Member of the General Insurance Standards Council. ^② ISAs supplied by Legal & General (Portfolio Management Services) Limited. Offers only apply if purchased through the shareholder programme. Discounts are on new policies only. Legal & General Assurance Society Limited. Registered in England No.166055. Registered Office: Temple Court, 11 Queen Victoria Street, London EC4N 4TP.

20
04

Help create efficiencies and protect the environment by receiving your communications online. For more information please go to:
www.shareview.co.uk