Half-year Report 2008

Legal & General

“Legal & General’s results illustrate the robustness and flexibility of our business model even in a more testing economic climate.”

Sir Rob Margetts
Chairman

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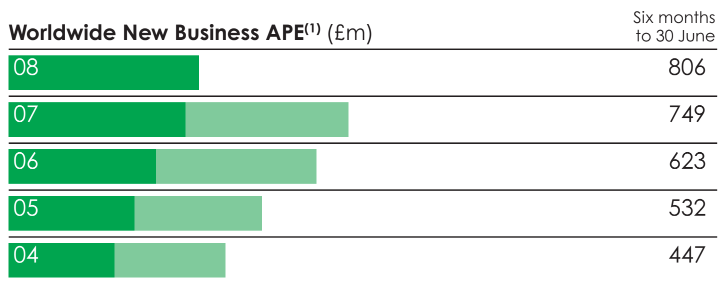
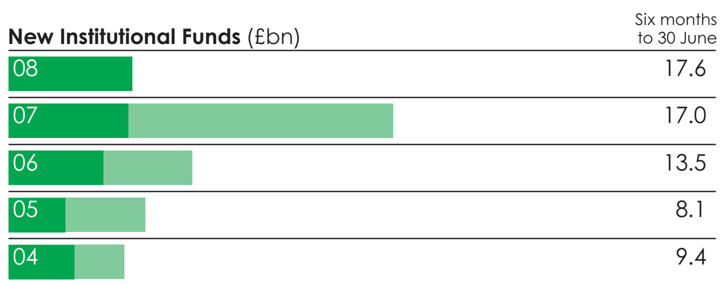
Strategy Live!

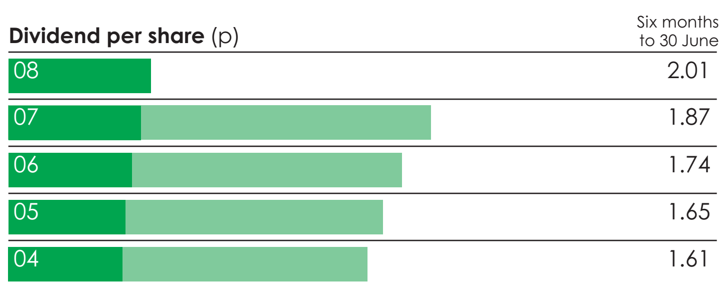
Learn about how we’re driving our performance with extracts from our Strategy Live webcasts and examples of our strategy in action...

Find further information online
www.legalandgeneralgroup.com

Financial Highlights







Half-year
Full year

1. Annual Premium Equivalent (APE) is total new annual premiums plus 10% of single premiums.

Group Chief Executive's Review

Worldwide life and pensions PVNBP[1] of £5,301m:	+6%
UK life and pensions PVNBP of £4,836m:	+8%
Worldwide life and pensions new business contribution of £194m:	+9%
£17.6bn new institutional funds under management:	+4%
EEV[2] operating profit of £626m:	+6%
IFRS[3] operating profit of £391m:	+1%
IFRS[3] loss after tax of £(27)m:	-108%
Interim dividend 2.01p:	+7.5%

1. Present value of new business premiums
2. European Embedded Value
3. International Financial Reporting Standards

Tim Breedon answers topical questions:

What is your view of the UK economy, and how does it affect Legal & General?

We have indicated for some time that we expect continued volatility in investment markets, lower growth and a weaker housing market. Our view remains unchanged. However, we believe our strategy and business model are robust enough not only to weather economic difficulties, but to continue to add value during more difficult times.

Our combination of quality, value for money products, diverse sales channels and underlying financial strength is a powerful proposition in a more uncertain economic climate, and we consistently focus on adding value by continuously improving our products and processes even through the downturn.

How much does your Risk business depend on the UK housing market?

Individuals frequently buy risk protection when they move house or take out a new mortgage. Predictably, this segment of the business has slowed in 2008, but much less markedly than the housing market overall. This is partly because our new partnership with Nationwide Building Society is now operational, and also because we are increasingly diversifying our products and distribution to encourage customers to purchase protection on a stand-alone basis.

Group Risk – our protection business with corporate clients – continues to perform well. We delivered record annuity sales in the first half of the year and there is a strong pipeline of future buyout opportunities. This is a fast-growing, and potentially very large, component of our Risk business.

What steps are you taking to improve performance on the Savings side of the business?

Our Savings businesses are important in their own right and as part of our integrated model, where each division benefits from synergies with the others.

This year, pension and retail investment sales have risen. Margins still remain too low, partly as a result of sharply lower volumes in investment bond sales following the Budget changes to Capital Gains Tax and a more uncertain savings climate. However, we continue to broaden our product range and add more higher value-added products – for example through our purchase of Suffolk Life, a leading SIPP provider – and to grow assets under administration in our Savings business.

The Savings businesses also act as a bridge enabling retail customers to access our expertise in fund management, or annuities. There are synergy aspects to distribution too: our strong relationships with bank and building society partners and IFAs benefit when we have a full product range to offer.

Do you feel hampered by the comparative lack of an international aspect to the Company's business?

Our international strategy combines excellence in selected areas of expertise – for example in the United States, France, the Netherlands and Egypt – and measured investment in markets where we see long term potential, such as India and the Gulf States. We continue to explore opportunities in international markets where there is a good fit with our existing skills and where there is a low capital cost of entry. Our primary focus, however, remains the UK market. This is where we feel we can best understand business risks and opportunities, and where we still see changing demographics driving good long term growth prospects.

Tim Breedon
Group Chief Executive

Six Months at a Glance

Products

Legal & General's 'Intelligent Design' process continues to create market leading new products and enhance existing products to meet the long term needs of investors and savers.

- International Index Trust
- Capital Protection Income Bond
- Capital Protection Growth Bond

- Multi Manager Growth Fund
- Multi Manager Income Fund
- Multi Manager Balanced Fund

- Enhanced mobile medical service for protection
- New reduced rates for business protection

Partnerships

We continue to diversify and strengthen our distribution: ensuring maximum choice of ways to buy Legal & General products, now and in the future, in the UK and overseas.

- Nationwide Building Society: distribution partnership now live selling protection, investment and pension products to Nationwide's 13 million members

- Cofunds: distribution relationship extended to 2013
- Suffolk Life: acquisition completed

- Ahli United Bank: Joint venture Memorandum of Understanding signed

Scale in Risk, Savings and Investment Management

Scale across our three core businesses drives value and performance.

£138m

Bulk purchase annuities APE

£456m

Savings APE

£286bn

UK funds under management

Interim Management Report

OVERVIEW OF RESULTS

Worldwide new business annual premium equivalent (APE) was up 8% to £806m (H1 07: £749m), primarily as a result of growth in our Risk business.

The present value of new worldwide life and pensions premiums increased by 6% in the first half of 2008 to £5,301m (H1 07: £4,979m) driven by continued success in the pension buyout market and strong growth in both group protection and non profit pensions. These positive developments more than offset lower sales in individual protection and significantly lower unit linked bond sales.

Life and pensions new business margin was 3.7% (H1 07: 3.6%) of present value of new business premiums (PVNBP), the increase reflecting stable margins in the UK and higher margin in our overseas businesses. The contribution from new life and pensions business grew by 9% to £194m (H1 07: £178m), resulting from increased sales of higher margin risk products and an improvement in pension margins. These effects more than offset lower unit linked bond margins.

European Embedded Value (EEV) operating profit was up 6% to £626m, reflecting the higher new business profits, a solid in-force result, higher profits in our investment management business and lower flood costs in general insurance.

International Financial Reporting Standards (IFRS) operating profit was higher in the first half of 2008 at £391m (H1 07: £386m). Higher profit in our investment management business underpinned this improvement along with a 20% increase in the transfer from the with-profits business. Our non profit life and pension businesses continued to be self financing, with the expected release from our in-force portfolio exceeding the cost of new business investment.

Lower investment markets have led to a negative variation from longer term investment return of £538m on an EEV basis (H1 07: positive £197m), reducing profit from ordinary activities after tax to £56m in H1 08 (H1 07: £672m).

Shareholders' equity on the EEV basis stood at £7.8bn at 30 June 2008 (FY 07: £8.5bn). Before allowing for the cost of the 2007 final dividend and repurchase of shares under our buyback programme, shareholders' equity on the EEV basis was up 1% compared to the year end 2007 position. We have continued to increase the efficiency of the balance sheet by buying back £0.4bn of shares under our buyback programme. These were repurchased throughout the period at a price below EEV per share, which was 130p at 30 June 2008 (FY 07: 134p).

The balance sheet position, as summarised in our capital balanced scorecard remains strong despite weaker investment markets. The AA+ financial strength rating for Legal & General Assurance Society Limited remains unchanged. Our buyback programme initiated 12 months ago continues, and is expected to complete later this year.

The current and projected cash profile of the Group remains strong and underpins the Board's confidence in proposing a dividend of 2.01p per share, an increase of 7.5%.

OUTLOOK

Our business model gives us the confidence in our ability to continue to exploit opportunities throughout the current economic cycle and build a strengthened market position and platform for profitable growth. Strong finances, diversified product range and distribution have enabled us to deliver increased new business, operating profits and dividend.

Corporate markets have seen strong progress this year. Employers are continuing to support employee benefits such as pensions and group protection where we expect growth to continue. The conditions stimulating the pension buyout market remain. The quotation pipeline for pension buyouts is strong. We envisage our investment management business continuing to benefit from institutional flows and diversification into non index products.

We are confident in the resilience of our individual protection business and the ongoing action we are taking to diversify sales away from the mortgage event. We do, however, expect to see volumes remain at current lower levels throughout the rest of 2008.

Equity market volatility has impacted confidence in savings markets. We have seen some changes in savings habits, notably the increased popularity of low risk products. Our pensions business has continued to grow scale and margin – a trend we anticipate continuing into the second half. We expect to see the unit linked bond market settle at current reduced levels. We remain confident in our ability to grow assets under administration due to broad distribution and product range.

£806m

Worldwide new business APE

NEW BUSINESS

UK Risk new business

Total APE sales increased 44% to £288m, driven by a continued surge in pension buyout business and strong growth in group protection.

Protection new business APE was 1% lower than in the first half of 2007, a resilient result reflecting the strength of our diversification of product and distribution. Within this result group protection sales grew 28% – benefiting from our strong reputation and high service standards. We have continued to develop our administrative and underwriting capabilities in the first half and recently launched an innovative underwriting approach which has been received well by intermediaries.

Individual protection APE was down 11% – a good result against the backdrop of a weakening housing market which has seen a 28% reduction in mortgage approvals. In the first half of 2008, we have focused increasingly on product sales not related to the mortgage event. Our distribution relationship with Nationwide Building Society went live in February and is already making a good contribution to sales.

The protection margin was 6.9% in H1 08 (FY 07: 9.3%; H1 07: 9.1%). There was a benefit to margins of lower in-force expenses, offset by more competitive pricing conditions in the first half.

Annuity sales continued, in line with our earlier indication, at a high level in the second quarter, to give £178m (H1 07: £89m) of APE in the first half. Individual annuity sales were lower by 22% reflecting increased selectivity in our pricing and increased competition in Q2.

This was more than offset by the surge in pension buyout business in the first half. Companies continue to demand products which help to protect their balance sheet from pension scheme volatility – and quotation activity remains high. New business is now dominated by larger pension in payment contracts, but it is testament to our operational model that we still wrote nearly 140 policies in the first half of the year.

£288m

UK Risk new business APE

The annuity business margin was 7.6% (FY 07: 9.1%; H1 07: 9.8%). As reported in our preliminary results, the vast majority of new buyout business is being written for pension in payment and less for deferred business, shortening the average duration of new business by approximately three years. Under the EEV methodology, this mechanically reduces the reported new business margin.

UK Savings new business

APE sales in our Savings business (including UK core retail investments) were 6% lower in the period at £456m – a robust performance in a very challenging market place. Within this there was a shift in the mix of business, with strong growth in non profit pensions, with-profits bonds and core retail investments offsetting lower sales in unit linked bonds.

Unit linked bond sales were significantly lower, down 45% in the first half of the year to £75m of APE, continuing the trend seen in Q1 2008. The step change in volumes this year reflected the impact of changes to Capital Gains Tax and some customer caution towards investment in a period of market volatility. We have continued to reposition our business to focus on those areas of the bond market which remain buoyant – including the high net worth and offshore bond markets.

As a result of the drop in sales, unit acquisition expenses have increased compared to year end 2007 levels. This has driven a reduction in margins to negative 0.5% (FY 07: positive 0.8%; H1 07: 1.5%).

Non profit pensions continued to grow, with new business APE up 22% in the first half of the year. We have seen progress in the underlying non profit pension business, supplemented by seven weeks of sales from Suffolk Life, a leading high net worth pension provider acquired in May. SIPP sales accounted for 50% of retail non profit pension sales in the first half, reflecting our ongoing strategic repositioning of the pension business.

Margins improved to negative 0.2% (FY 07: negative 0.8%; H1 07: negative 0.5%). We continue to invest in improvements in systems and administration to build sustainable value in the pensions business.

With-profits savings has seen a pickup in sales of with-profits bonds – up 120% to £11m of APE sales. Individual pensions written in the with-profits part of the fund were £85m APE (H1 07: £111m). These products reflect primarily older-style pension contracts and increments on existing schemes and have not seen the increase in demand reflected in our non profit pensions business.

With-profits savings margins were higher at 1.5% in the first half of the year (FY 07: 1.3%; H1 07: 1.4%) reflecting favourable change in mix.

Core retail investments grew strongly against a backdrop of volatility in investment markets. The underlying business grew, reflecting continued focus on expanding our product, distribution and administrative infrastructure. With the addition of products distributed through Nationwide Building Society, new business APE grew by 34% year on year. We have been successful in expanding our sales through specialist IFAs, offsetting more challenging conditions in bank and direct distribution.

International new business

In the US, our high net worth term business continued to deliver growth, with regular premiums up 7% to $47m. A Triple X financing structure was agreed in the second half of 2007 to cover 2007 and 2008 new business. As a result, margins in our US business were higher at the FY 07 stage (7.3%) and in H1 08 (7.0%) than was seen in H1 07 (1.5%).

In the Netherlands, industry conditions remained challenging, but overall new business APE was stable at €21m. Although we have been successful in expanding market share in our selected product areas, price competition across the industry has contributed to reduced margins in the protection business, and reduced overall margins to 1.7% (FY 07: 2.5%; H1 07: 4.7%).

In 2007, our French business benefited, along with the industry, from an exceptional volume of business stimulated by fiscal changes. As a result, we expected sales to return to more normal volumes in 2008, and overall new business APE was 36% lower at €25m. Underlying sales were below our expectations in volatile investment markets. As a result margins were lower at 1.5% (FY 07: 2.4%).

Institutional investment management new business

Institutional investment management sales (including unit trusts) were again strong at £17.6bn. Our core pension scheme fund management products continue to resonate with our customers and their advisers in volatile economic conditions. We have seen a higher proportion of new managed pension fund business – 78% – coming from existing clients this year, a trend which is likely to continue given our very large growth in funds over recent years. Combined with strong client retention, net sales supported UK total funds under management of £286bn, down just 4% from the year end position despite significant drops in global investment markets.

We have once again grown our structured solutions business – funds under management stood at £15bn at the end of the period, compared with £12bn at the start of the year. We continue to invest in our product and service infrastructure to ensure that our clients' needs are met.

PROFITABILITY

Legal & General, in common with other European listed life assurers, reports financial information to shareholders under two complementary reporting bases. These are the EEV (European Embedded Value) and IFRS (International Financial Reporting Standards) bases. The differences between these bases are explained on page 33 of our 2007 Annual Report and Accounts.

Life and pensions operating profit

UK life and pensions operating profit – EEV Basis

UK life and pensions operating profit increased to £506m on the EEV basis (H1 07: £497m).

The contribution from in-force business was £171m (H1 07: £191m), with the expected return increasing to £149m (H1 07: £127m).

Experience variances and operating assumption changes within the in-force UK life and pensions business totalled £22m. The main variances were: a negative £11m for persistency, which related mostly to our unit linked bond business; a positive £10m in mortality/morbidity, relating mainly to improved experience in the group protection business; and a £49m positive expense assumption change reflecting continued focus on improvement to systems and processes within the individual protection business.

Development costs of £21m in UK life and pensions related to continued investment in strategic systems and development capability across our Risk and Savings businesses.

The contribution from shareholder net worth increased to £178m (H1 07: £151m), reflecting in part a change in the definition of covered business between the two periods.

The value of Society shareholder capital invested assets and the embedded value of the contingent loan at the end of the period were £3.7bn and £766m respectively.

£17.6bn

Institutional Investment Management Sales

Interim Management Report continued

UK life and pensions operating profit – IFRS Basis

UK life and pensions operating profit was £299m on the IFRS basis (H1 07: £342m). The expected capital release from the in-force business was again higher than new business strain. The in-force release at £241m was 14% higher than in H1 07, reflecting growth in the business in 2007 and a contribution from Nationwide Life. We expect the release of £406m reported for full year 2007 to be increased by around 10% in 2008.

New business strain increased to £237m (H1 07: £142m) in the first half of the year, reflecting the impact of significantly higher pension buyout volumes. Buyout business also attracted higher strain per pound of premium in the first half of the year. This was partly offset by lower new business strain on unit linked bonds.

Reserving changes and other adjustments amounted to £64m (H1 07: £38m). This includes positive contributions from the release of provisions from our bulk purchase annuity data loading process, investment effects within our non profit business and positive movements in non-cash balances such as deferred tax.

Smoothed investment return remained stable at £154m. This reflected an average return of 3% on the average balance of invested assets held within Society shareholder capital during the first half of the year (including interest bearing intra-group balances), calculated on a quarterly basis. Invested assets (including interest bearing intra-group balances) held within the Society shareholder capital amounted to £4.5bn at 30 June 2008 (£4.7bn at 31 December 2007).

The with-profits transfer reflects one ninth of the cost of policyholder bonuses. The transfer, grossed up for shareholder tax, increased to £60m (H1 07: £50m) as a result of a higher level of product maturities.

Investment management operating profit – IFRS Basis

We believe that IFRS operating profit is more appropriate than EEV profit for considering the performance of our institutional investment management business. Profit of £93m was 27% higher than last year (H1 07: £73m), a proportion of which relates to a £15m increase in profit earned as a result of introducing market referenced fees for internal business. Excluding this, underlying profit was up 7% – a strong result in the context of investment markets.

International life and pensions operating profit

International life and pensions operating profit – EEV Basis

International life and pensions operating profit was £58m (H1 07: £54m). New business profits were higher in the period reflecting the Triple X financing in the US which was secured in the second half of 2007.

Higher expected return and contribution from shareholder net worth reflect the unwinding of assumptions on higher opening balance sheet values.

Experience variances of negative £13m relate primarily to the US business.

International life and pensions operating profit – IFRS Basis

On the IFRS basis, international life and pensions operating profit was £48m (H1 07: £41m). US operating profit remained broadly stable at £30m (H1 07: £32m). Lower operating expenses and higher in-force profits on a growing book of business were offset by small adverse mortality experience.

The improvement in profits from our business in France to £10m (H1 07: £5m) reflected improved claims experience within our group risk business.

General insurance operating profit – IFRS Basis

In the first half of this year the general insurance business reported a loss of £4m (H1 07: loss of £38m). The result for H1 07 included £40m for the cost of exceptional weather events in the UK. We continue to build the household business across broker, mortgage related and direct channels, and have increased household gross written premium by 6% year on year while reducing expenses.

Other operational income – IFRS Basis

Other operational income was negative £45m (H1 07: negative £32m). Smoothed investment return on shareholders' equity was higher in the period. This includes investment return on the average balance of invested assets (including interest bearing intra-group balances) held centrally. As at 30 June 2008, these assets amounted to £0.8bn.

Interest expense increased primarily due to interest payments on the Innovative Tier 1 debt of £600m issued in May 2007.

£626m

EEV Operating Profit

Profit attributable to equity holders

Profit attributable to equity holders – EEV Basis

Profit attributable to equity holders was £69m (H1 07: £655m). There was a negative investment variance of £538m largely as a result of lower equity and property values.

As we reported last year, the 2007 Budget gave rise to a one-off increase in embedded value of £93m, primarily from the reduction in the corporation tax rate to 28% from April 2008.

Profit attributable to equity holders – IFRS Basis

The loss attributable to equity holders was £14m (H1 2007: profit of £312m). The variation from longer term investment returns contributed negative £422m in the period (H1 07: positive £96m). The major contributor to this was lower investment markets in the period.

CAPITAL AND FINANCING

It is our practice to undertake a full scenario and stress testing exercise annually. At the interim results last year this analysis led the Board to recommend that £1bn of capital was in excess of the business's requirements and should be returned to shareholders by means of a share buyback.

The Board has once again considered the balance sheet position of the Group, and has concluded that it is appropriate to continue, and complete the existing share buyback programme. The Board remains committed to a full annual review of the balance sheet, and to returning capital in excess of foreseeable requirements to shareholders.

SHARE BUYBACK

In July 2007, Legal & General initiated a £1bn share buyback programme. By 29 July 2008, 609m shares had been repurchased at a cost of £764m (after costs).

Of this total, 330m shares were repurchased in the first half of 2008, at a cost of £408m (after costs), giving an average price per share of 123.6p (after costs). This compared with the volume weighted average price over that same period of 124.2p. All shares repurchased have been cancelled.

INVESTMENT PORTFOLIO

Legal & General has no significant exposure to credit-impaired securities.

We manage £304bn of assets worldwide, of which £259bn are managed for the exclusive benefit of clients and policyholders and for which shareholders bear no direct market risk.

"A strong, well-managed balance sheet is fundamental to the way we do business."

Andrew Palmer
Group Director (Finance)

£19bn of assets are held within the with-profits part of the fund in the UK. This fund is managed with the aim of being self-financing.

The shareholders' direct exposure to asset markets comprises:

- Assets held to back Legal & General's UK non-linked non profit business of £18bn;
- Assets held to back other insurance business of £2bn;
- Society shareholder capital assets of £4bn, which are invested predominantly in equities (67% equities; 8% property; 25% bonds and cash); and
- Other Group shareholder assets of £2bn, including shareholder assets managed centrally by the Treasury function and investments within general insurance, investment management and our international businesses.

In respect of the £22.5bn held in bonds to which shareholders are exposed, 95% is investment grade. At 30 June 2008, total asset-backed security (ABS) bond holdings within these portfolios amounted to £4.4bn with a AA average credit rating.

Principal Risks and Uncertainties

The June 2008 meeting of the Group Risk & Compliance Committee reviewed the principal risks and uncertainties that have the potential to impact the Group. The categories of risk remain those detailed in the 2007 Annual Report and Accounts. Factors that may influence these risks are outlined below.

Legislation and Regulation

Sudden changes and/or retrospection in legislation and fiscal policy without prior consultation, or the differing interpretation and application of regulation over time, may have a detrimental effect on the Group's strategy and profitability in terms of the generation of new business and the retention of in-force books.

Confidence in the UK Financial Services Sector

Factors that can impact confidence in the UK financial services sector include the adverse performance of investment markets, actions by regulators within the sector and shock events such as significant market failures.

Mortality and Catastrophe Risks

Rapid advances in medical science leading to enhanced longevity may require an increase in reserves for annuity business. An event causing widespread mortality or morbidity, coupled with a reinsurer default, may impact the capital available in respect of the protection business. A series of extreme weather events coupled with reinsurer default may impact earnings from general insurance business.

Market and Economic Conditions

Significant changes in market and economic conditions can impact consumer behaviour in terms of the timing and frequency of purchase of financial services products. Economic conditions can also impact investment management income where fees are linked to the value of funds under management.

Future Savings Market

The reasons customers save and make provision for old age are influenced by a number of factors including government policy, social conditions and the general economic environment. Consumer uncertainty in any of the above factors may have a detrimental effect on these markets.

Resources

The Group actively focuses on retaining the best personnel and deploys strategies to ensure that key dependencies do not arise. However, sudden anticipated loss of teams of expertise may, in the short term, impact certain segments of Legal & General's businesses.

People and Operational Resources

Legal & General regards the quality and commitment of its employees as one of the major reasons behind the Company's success. Our people are very important to us, and we consistently aim to follow best practice and improve what we do as a significant employer both in the United Kingdom and overseas.

Employees: our face to the customer

- We are a member of the ABI Customer Impact Scheme. Our 2007 survey results show that the majority of customers rate us positively and would recommend us if asked.
- This year, for the first time, we celebrated exceptional employee achievements in customer service with our Customer Service Awards.

Tapping into the skills of our employees

- We are platinum accredited members of ideasUK and implemented 382 new staff suggestions last year.
- Legal & General Property is to send 40 of its fund managers and 'decision makers' on a course to learn about sustainability and its potential impact on property values.

Integrating employees and our business model

- We have restructured our internal communications function to increase the focus on communicating our corporate strategy to our employees.
- 90% of employees have completed a computer based training module on bullying and harassment to promote greater employee awareness of these issues.

Operations

- Software application development and maintenance has been outsourced with effect from 1 June in order to improve the efficiency and effectiveness of these functions.
- Postal services have been reviewed and new supply contracts negotiated which should result in ongoing annual savings of approximately £2 million.

Corporate Social Responsibility

"We focus on areas where our expertise can make a difference, such as financial inclusion and health."

Tim Breedon
Group Chief Executive

We are committed to providing volunteering days.

- Our work with A4e, a market leader in global public service reform, will provide an innovative way of supporting people with money issues in response to the Thoresen Review. We are also working with MEND (Mind, Exercise, Nutrition… Do it!) to tackle childhood obesity and enable teachers to incorporate healthy living into their lesson plans with a view to helping children to make healthy choices about activity and food.
- Key benchmarking organisations continue to work with us to monitor, advise and increase our Corporate Social Responsibility (CSR) standards of performance. We are pleased to report that Legal & General received a silver award in the 2008 BITC (Business in the Communities) Companies that Count survey as featured in the Sunday Times. This was an encouraging improvement on the bronze award we received the previous year. We achieved a platinum award in the Environmental section of the BITC index with a score of 96 out of 100.
- We are committed to providing 100 volunteering days within local communities at each of our major locations. A full report of the progress will be made in the 2008 CSR Report published in early 2009.
- We are engaged with EIRIS (Ethical Investment Research Service) and the Dow Jones Sustainability Indexes and are pleased that we retain our membership of the FTSE4Good index. As a company our challenge is to maintain high standards of social and economic conscience in our operations so that we can ask for higher standards from others.
- Legal & General Property launched its Sustainable Property Group in April 2008. This group aims to put sustainability at the heart of the property development debate and support our property occupiers in their standards of environmental performance.
- The property business has announced an exciting joint venture with the College of Estate Management to take its entire business through a Sustainability Programme to build knowledge into buying, selling and development of property funds. The initiative will then be offered to the industry as a benchmark for others to work to and incorporate into their business. Existing occupiers of key properties within Legal & General's property portfolio will be offered Carbon Mentoring programmes in partnership with the London Climate Change Agency and Green 500. This will help them to understand and improve their environmental performance.
- As an organisation we continue to highlight how important the environmental choices employees make at work and at home are. One of our challenges is to help our employees factor in environmental performance when making decisions to travel on business. In the first half of this year we have developed a Greener Travel policy which will come into effect in August 2008. We are working with the Energy Savings Trust to validate our approach.
- Our commitment to the Association of British Insurer's Climatewise programme continues. In September we will work with our partner, Bureau Veritas, to audit our performance against the Climatewise six key principles of environmental performance.

FTSE4Good

Dow Jones Sustainability Indexes
Member 2006/07

EIRiS

Business in the Community COMPANIES THAT COUNT 2008 THE SUNDAY TIMES

Statement of Directors' Responsibilities

We confirm to the best of our knowledge that:

- the condensed set of financial statements, on pages 22 to 35, which has been prepared in accordance with IAS 34 as adopted by the European Union, gives a fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the Interim Management Report includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8, namely important events that have occurred during the period and their impact on the condensed set of financial statements, as well as a description of the principal risks and uncertainties faced by the Company and the undertakings included in the consolidation taken as a whole for the remaining six months of the financial year; and
- the Interim Management Report includes a fair review of material related party transactions and any material changes in the related party transactions described in the last Annual Report.
- The European Embedded Value basis consolidated income statement, the consolidated statement of recognised income and expense and the consolidated balance sheet and associated notes have been prepared on the European Embedded Value basis as set out in Notes 1 and 14.

The directors of Legal & General Group Plc are listed in the Legal & General Group Plc Annual Report for 31 December 2007. A list of current directors is maintained on the Legal & General Group Plc website: www.legalandgeneralgroup.com.

By order of the Board

Tim Breedon
Group Chief Executive
4 August 2008

Andrew Palmer
Group Director (Finance)
4 August 2008

European Embedded Value Basis

Consolidated Income Statement

Six months ended 30 June 2008

	Notes	30.06.08 £m	30.06.07 £m	Full year 2007 £m
From continuing operations				
Life and pensions	4/5	**564**	551	856
Investment management	6	**111**	90	196
General insurance	18	**(4)**	(38)	(67)
Other operational income	7	**(45)**	(14)	(73)
Operating profit		**626**	589	912
Variation from longer term investment return	8	**(538)**	197	116
Effect of economic assumption changes	4	**(10)**	(6)	57
Property (expense)/income attributable to minority interests		**(13)**	17	(6)
Corporate restructure		**–**	–	161
Profit from continuing operations before tax attributable to equity holders		**65**	797	1,240
Tax charge on profit from ordinary activities		**(9)**	(218)	(327)
Effect of UK Budget tax changes	10	**–**	93	93
Tax impact of corporate restructure	10	**–**	–	206
Profit from ordinary activities after tax		**56**	672	1,212
Loss/(profit) attributable to minority interests	28	**13**	(17)	6
Profit attributable to equity holders of the Company		**69**	655	1,218

		p	p	p
Earnings per share				
Based on operating profit from continuing operations after tax attributable to equity holders		**7.33**	6.62	9.81
Based on profit attributable to equity holders of the Company		**1.14**	10.08	18.90
Diluted earnings per share				
Based on operating profit from continuing operations after tax attributable to equity holders		**7.30**	6.59	9.76
Based on profit attributable to equity holders of the Company		**1.13**	10.03	18.80

This financial information was approved by the Board on 4 August 2008.

The results for the six months to 30 June 2008 and 30 June 2007 are unaudited, but have been subject to a review by the Group's independent auditors and constitute non-statutory accounts within the meaning of Section 240 of the Companies Act 1985. The published full year 2007 supplementary financial information on the European Embedded Value (EEV) basis included an auditors' report which was unqualified.

These figures have been prepared for covered business using the EEV basis. The International Financial Reporting Standards (IFRS) results are included on pages 22–35.

European Embedded Value Basis

Consolidated Balance Sheet

As at 30 June 2008

	Notes	At 30.06.08 £m	At 30.06.07 £m	At 31.12.07 £m
Assets				
Investments		**267,674**	235,303	276,438
Long term in-force business asset		**3,331**	2,872	3,041
Other assets		**6,567**	5,743	4,828
		277,572	243,918	284,307
Equity and liabilities				
Shareholders' equity	12	**7,781**	8,365	8,468
Minority interests	28	**175**	456	178
Total equity		**7,956**	8,821	8,646
Subordinated borrowings	27	**1,444**	1,371	1,461
Unallocated divisible surplus		**1,411**	2,277	1,721
Participating contract liabilities		**17,230**	19,231	18,849
Non-participating contract liabilities		**241,284**	205,771	247,779
Senior borrowings	27	**1,742**	1,332	1,327
Other liabilities and provisions		**6,505**	5,115	4,524
		277,572	243,918	284,307

Consolidated Statement of Recognised Income and Expense

Six months ended 30 June 2008

	30.06.08 £m	30.06.07 £m	Full year 2007 £m
Exchange differences on translation of overseas operations	**19**	(1)	18
Actuarial gains/(losses) on defined benefit pension schemes	**12**	36	(23)
Actuarial (gains)/losses on defined benefit pension schemes transferred to unallocated divisible surplus	**(8)**	(25)	16
Income recognised directly in equity, net of tax	**23**	10	11
Profit from ordinary activities after tax	**56**	672	1,212
Total recognised income and expense	**79**	682	1,223
Attributable to:			
Minority interests	**(13)**	17	(6)
Equity holders of the Company	**92**	665	1,229

European Embedded Value Basis
Notes to the Financial Information

1. BASIS OF PREPARATION

This financial information has been prepared in accordance with the EEV Principles issued in May 2004 by the European Insurance CFO Forum. The detailed methodology used was included in the supplementary financial information within the full year 2007 consolidated Group financial statements.

2. NEW BUSINESS

	30.06.08 APE £m	30.06.07 APE Restated[1] £m	Full year 2007 APE £m
UK risk and savings			
Protection	**110**	111	223
Annuities	**178**	89	205
Total UK risk	**288**	200	428
Unit linked bonds	**75**	136	251
Pensions, stakeholder and other non profit	**162**	133	253
With-profits savings	**104**	129	228
Total UK savings	**341**	398	732
Total UK risk and savings	**629**	598	1,160
International			
USA	**24**	22	45
Netherlands	**16**	14	27
France	**19**	27	42
	688	661	1,274
Core retail investments[2]			
ISAs – UK	**40**	37	58
Unit trusts			
– UK	**75**	49	103
– France	**3**	2	2
Total APE	**806**	749	1,437

	30.06.08 £m	30.06.07 Restated[2] £m	Full year 2007 £m
Institutional fund management			
UK managed pension funds[3]			
– Pooled funds	**13,562**	15,568	49,460
– Segregated funds	**364**	448	2,603
	13,926	16,016	52,063
Other funds[4]	**3,719**	1,005	2,368
Total institutional fund management new business	**17,645**	17,021	54,431

Annual premium equivalent (APE) is calculated for total new business, including core retail investments but excluding institutional fund management, and comprises the new annual premiums together with 10% of single premiums. APE from insurance business in the first six months was £349m (H1 07: £262m; FY 07: £540m). APE from total new business in the same period was £806m (H1 07: £749m; FY 07: £1,437m).

1. With-profits annuity business has been categorised from 'with-profits' to 'annuities' and H1 07 comparatives restated. This business amounted to £15m (H1 07: £33m; FY 07: £47m) of single premiums.
2. UK core retail investments excludes institutional investments which are disclosed as part of Institutional fund management new business.
3. Excludes £4.6bn (H1 07: £7.8bn; FY 07: £19.4bn) which is held on a temporary basis, generally as part of portfolio reconstructions.
4. Other funds comprise new business from Legal & General Investment Management (H1 08: £2,298m; H1 07: £210m; FY 07: £559m) and from Legal & General Retail Investments (H1 08: £1,421m; H1 07: £795m; FY 07: £1,809m).

3. PRESENT VALUE OF NEW BUSINESS PREMIUMS (PVNBP) AND NEW BUSINESS MARGIN

	Annual premiums £m	Present value of annual premiums £m	Capitalisation factor	Single premiums £m	PVNBP £m	New business margin %
Six months ended 30 June 2008						
UK	**261**	**1,157**	**4.4**	**3,679**	**4,836**	**3.7**
International	**40**	**277**	**6.9**	**188**	**465**	**3.5**
Total life and pensions	**301**	**1,434**		**3,867**	**5,301**	**3.7**
Six months ended 30 June 2007						
UK	261	1,098	4.2	3,374	4,472	3.7
International	38	260	6.8	247	507	2.6
Total life and pensions	299	1,358		3,621	4,979	3.6
Full year ended 31 December 2007						
UK	494	2,230	4.5	6,662	8,892	3.6
International	73	510	7.0	405	915	4.1
Total life and pensions	567	2,740		7,067	9,807	3.7

Notes to the Financial Information continued

4. PROFIT FROM CONTINUING OPERATIONS AFTER TAX FROM COVERED BUSINESS

	UK[1] £m	International £m	Life and pensions total £m	Investment management[2] £m	Total £m
Six months ended 30 June 2008					
Contribution from new business after cost of capital	**178**	**16**	**194**	**41**	**235**
Contribution from in-force business:					
– expected return[3]	**149**	**47**	**196**	**18**	**214**
– experience variances	**4**	**(13)**	**(9)**	**23**	**14**
– operating assumption changes	**18**	**–**	**18**	**19**	**37**
Development costs	**(21)**	**–**	**(21)**	**(1)**	**(22)**
Contribution from shareholder net worth[4]	**178**	**8**	**186**	**4**	**190**
Operating profit	**506**	**58**	**564**	**104**	**668**
Variation from longer term investment return[5]	**(442)**	**(48)**	**(490)**	**(68)**	**(558)**
Effect of economic assumption changes	**4**	**(16)**	**(12)**	**2**	**(10)**
Profit from continuing operations before tax	**68**	**(6)**	**62**	**38**	**100**
Tax	**(12)**	**3**	**(9)**	**(10)**	**(19)**
Profit from continuing operations after tax	**56**	**(3)**	**53**	**28**	**81**
Six months ended 30 June 2007					
Contribution from new business after cost of capital	165	13	178	41	219
Contribution from in-force business:					
– expected return	127	40	167	15	182
– experience variances	74	(6)	68	13	81
– operating assumption changes	(10)	–	(10)	3	(7)
Development costs	(10)	–	(10)	(1)	(11)
Contribution from shareholder net worth	151	7	158	4	162
Operating profit	497	54	551	75	626
Variation from longer term investment return[5]	191	(15)	176	3	179
Effect of economic assumption changes	(12)	3	(9)	3	(6)
Profit from continuing operations before tax	676	42	718	81	799
Tax	(189)	(13)	(202)	(23)	(225)
Effect of UK Budget tax changes	86	–	86	7	93
Profit from continuing operations after tax	573	29	602	65	667

1. On 31 January 2008 the Group acquired 100% of the shares of Nationwide Life. The results for Nationwide Life have been included in the profit from the covered business with effect from this date, and have contributed £9m to operating profit, and a £1m loss to profit after tax. On 6 May 2008 the Group acquired 100% of the shares of Suffolk Life. The results for Suffolk Life have been included in the profit from the covered business with effect from this date, and have contributed £5m to operating profit, and £4m to profit after tax. Further information on both acquisitions can be found in Note 22.
2. For covered business, Investment management comprises managed pension funds and is included in the total Investment management operating profit of £111m (H1 07: £90m; FY 07: £196m).
3. The UK expected return on in-force is based on the unwind of the discount rate for six months on the opening, adjusted base value of in-force (VIF). The opening base VIF was £2,846m in 2008. This is adjusted for the effects of opening model changes (-£27m) to give an adjusted opening base VIF of £2,819m. This is then multiplied by the opening risk discount rate of 7.5% and the result grossed up at the notional attributed tax rate of 28% to give a return of £144m. This is added to the expected return on the in-force of businesses acquired in the year (£5m) to give a total UK expected return of £149m.
4. The 2008 UK contribution from shareholder net worth (SNW) of £178m is based on a mechanical calculation from opening balance sheet values. There are two elements to this calculation:
   The first element reflects the pre-tax smoothed investment return of £136m on SNW assets, including £4m of smoothed investment return on businesses acquired during the year. This is offset by pre-tax corporate expenses charged to shareholders' funds of £7m.
   The second element (£32m) is based on the unwind of the discount rate for six months on the opening contingent loan between Society and LGPL.
   • The opening value of the contingent loan was £614m in 2008.
   • This value is multiplied by the opening risk discount rate of 7.5% and the result grossed up at the notional attributed tax rate of 28% to give a return of £32m.
   Finally, the contribution from SNW includes an adjustment for opening tax and other modelling changes of £17m.
5. UK life and pensions variation from longer term investment return comprises £25m (H1 07: £97m; FY 07: £246m) relating to the VIF business and negative £467m (H1 07: £94m; FY 07: negative £118m) relating to SNW.

4. PROFIT FROM CONTINUING OPERATIONS AFTER TAX FROM COVERED BUSINESS **continued**

	UK £m	International £m	Life and pensions total £m	Investment management £m	Total £m
Full year ended 31 December 2007					
Contribution from new business after cost of capital	321	38	359	109	468
Contribution from in-force business:					
– expected return	262	80	342	30	372
– experience variances	98	3	101	21	122
– operating assumption changes	(239)	2	(237)	9	(228)
Development costs	(41)	–	(41)	(2)	(43)
Contribution from shareholder net worth	319	13	332	8	340
Operating profit	720	136	856	175	1,031
Variation from longer term investment return	128	(8)	120	4	124
Effect of economic assumption changes	70	(18)	52	5	57
Corporate restructure	161	–	161	–	161
Profit from continuing operations before tax	1,079	110	1,189	184	1,373
Tax	(287)	(32)	(319)	(52)	(371)
Effect of UK Budget tax changes	86	–	86	7	93
Tax impact of corporate restructure	206	–	206	–	206
Profit from continuing operations after tax	1,084	78	1,162	139	1,301

5. LIFE AND PENSIONS OPERATING PROFIT

	30.06.08 £m	30.06.07 £m	Full year 2007 £m
UK	**506**	497	720
USA	**26**	23	75
Netherlands	**17**	19	32
France	**15**	12	29
	564	551	856

6. INVESTMENT MANAGEMENT OPERATING PROFIT[1]

	30.06.08 £m	30.06.07 £m	Full year 2007 £m
Managed pension funds	**104**	75	175
Property	**4**	5	6
Retail investments	**(1)**	6	8
Other income[2]	**4**	4	7
	111	90	196

Investment management comprises the managed pensions fund business on an EEV basis and other investment management business on an IFRS basis.

1. Operating profit excludes £19m (H1 07: £4m (LGPL only); FY 07: £23m) of profits arising from the provision of investment management services at market referenced rates to the covered business. These are reported on a look through basis and as a consequence are included in the UK life and pensions covered business on an EEV basis.
2. Other income excludes the element relating to managed pension funds on the IFRS basis.

Notes to the Financial Information continued

7. OTHER OPERATIONAL INCOME

	30.06.08 £m	30.06.07 £m	Full year 2007 £m
Shareholders' other income			
Investment return on shareholders' equity[1]	**29**	59	51
Interest expense[2]	**(66)**	(55)	(119)
	(37)	4	(68)
Other operations[3]	**(1)**	–	1
Unallocated corporate and development expenses	**(7)**	(18)	(6)
	(45)	(14)	(73)

1. Investment return on shareholders' equity excludes investment return on Society shareholder capital in H1 08 and FY 07, which is included in UK life and pensions.
2. Interest expense relates to average borrowings (excluding non recourse financing).
3. Principally the regulated mortgage network and Cofunds.

8. VARIATION FROM LONGER TERM INVESTMENT RETURN

	30.06.08 £m	30.06.07 £m	Full year 2007 £m
Total covered business[1]	**(558)**	179	124
Investment management[2]	–	(1)	–
General insurance	**(11)**	(9)	(9)
Other operational income	**31**	28	1
	(538)	197	116

1. H1 08 and FY 07 includes the variation from longer term investment return on total Society shareholder capital.
2. Non-covered investment management business.

9. TIME VALUE OF OPTIONS AND GUARANTEES

	At 30.06.08 £m	At 30.06.07 £m	At 31.12.07 £m
Life and pensions			
UK non profit	–	4	4
UK with-profits	**1**	1	1
International	**11**	11	13
	12	16	18

10. TAX

Effect of UK Budget tax changes

The Finance Act 2007 contained two measures which increased the UK embedded value by £93m. The reduction in the UK corporation tax rate from 30% to 28% with effect from 1 April 2008 increased the post-tax profits from the UK life and pensions and managed pension funds businesses reported on an EEV basis over the projection period. The effect was to increase the UK embedded value by £101m. This was offset by a reduction of £8m from the requirement to tax the loan interest payable by LGPL to the SRC at the full UK corporation tax rate.

For the purposes of grossing up the movement in the UK embedded value to report pre-tax profits, the notional attributed tax rate was 28% (H1 07: 28%; FY 07: 28%).

Tax impact of Corporate restructure

There was no incremental tax on the transfer of the SRC in 2007, whereas marginal tax rates of between 10% and 12% had been assumed for 2006. The favourable impact on EEV was £206m at 31 December 2007.

11. EMBEDDED VALUE

	UK life and pensions[1] £m	International life and pensions £m	Life and pensions total £m	Investment management £m	Total £m
As at 30 June 2008					
Value of in-force business	**3,212**	**838**	**4,050**	**323**	**4,373**
Shareholder net worth	**4,166**	**291**	**4,457**	**267**	**4,724**
Embedded value	**7,378**	**1,129**	**8,507**	**590**	**9,097**
As at 30 June 2007					
Value of in-force business	2,785	707	3,492	310	3,802
Shareholder net worth	3,890	290	4,180	230	4,410
Embedded value	6,675	997	7,672	540	8,212
As at 31 December 2007					
Value of in-force business	2,846	782	3,628	340	3,968
Shareholder net worth	4,447	319	4,766	222	4,988
Embedded value	7,293	1,101	8,394	562	8,956

1. UK life and pensions includes £235m of embedded value acquired in respect of Nationwide Life and £64m in respect of Suffolk Life. Further information on these acquisitions is included in Note 22.

Following the long term fund restructure in 2007 the shareholder net worth (SNW) of the UK life and pensions business was redefined to include the shareholder capital held outside the long term fund. For H1 07 UK SNW represented the amounts in the Society long term fund and LGPL shareholder capital which were regarded as either required capital or free surplus held within the covered business.

Notes to the Financial Information continued

12. SEGMENTAL ANALYSIS OF SHAREHOLDERS' EQUITY

	At 30.06.08 £m	At 30.06.07 £m	At 31.12.07 £m
UK life and pensions	**7,378**	7,176	7,293
Embedded value of international life and pensions business			
– USA	**647**	595	645
– Netherlands	**286**	236	270
– France	**196**	166	186
	8,507	8,173	8,394
Investment management	**792**	671	689
	9,299	8,844	9,083
General insurance	**98**	136	114
Corporate funds[1]	**(1,616)**	(615)	(729)
	7,781	8,365	8,468

1. Corporate funds include investments, subordinated borrowings and senior borrowings.

13. RECONCILIATION OF SHAREHOLDER NET WORTH (SNW)

	At 30.06.08 £m	At 30.06.07 £m	At 31.12.07 £m
SNW of long term operations (IFRS basis)	**5,991**	5,362	5,934
Other assets (IFRS basis)	**(1,316)**	153	(488)
Shareholders' equity on the IFRS basis	**4,675**	5,515	5,446
Purchased interests in long term business	**(198)**	(24)	(19)
1996 Sub-fund	**–**	326	–
Deferred acquisition costs/deferred income liabilities	**(871)**	(703)	(751)
Deferred tax[1]	**(257)**	(460)	(172)
Other[2]	**59**	(91)	(4)
Shareholder net worth on the EEV basis	**3,408**	4,563	4,500

1. Deferred tax represents all tax which is expected to be paid under current legislation.
2. Other relates primarily to the different treatment of sterling reserves, other long term reserves and the non profit result of LGPL under EEV compared with IFRS.

14. ASSUMPTIONS

	At 30.06.08 % pa	At 30.06.07 % pa	At 31.12.07 % pa	At 31.12.06 % pa
UK				
Equity risk premium	**3.0**	3.0	3.0	3.0
Property risk premium	**2.0**	2.0	2.0	2.0
Investment return				
– Gilts:				
Fixed interest	**4.9**	5.1	4.5	4.6
RPI linked	**5.1**	5.6	4.5	4.7
– Non gilts:				
Fixed interest	**5.4 – 7.1**	5.6 – 6.0	4.9 – 6.1	4.9 – 5.3
RPI linked	**5.8 – 6.8**	5.3 – 5.9	4.9 – 5.3	4.6 – 5.1
– Equities	**7.9**	8.1	7.5	7.6
– Property	**6.9**	7.1	6.5	6.6
Risk margin	**3.0**	3.0	3.0	3.0
Risk discount rate (net of tax)	**7.9**	8.1	7.5	7.6
Inflation				
– Expenses/earnings	**5.2**	4.5	4.4	4.2
– Indexation	**4.2**	3.5	3.4	3.2
USA				
Reinvestment rate	**5.6**	5.8	5.4	5.4
Risk margin	**3.0**	3.0	3.0	3.0
Risk discount rate (net of tax)	**7.1**	8.1	7.1	7.8
Europe				
Government bond rate	**4.8**	4.6	4.4	4.0
Risk margin	**3.0**	3.0	3.0	3.0
Risk discount rate (net of tax)	**7.8**	7.6	7.4	7.0

Supplementary Operating Profit Information based on results reported under International Financial Reporting Standards

Consolidated Income Statement

Six months ended 30 June 2008

	Notes	**30.06.08 £m**	30.06.07 Restated £m	Full year 2007 £m
From continuing operations				
Life and pensions	16	**347**	383	643
Investment management	17	**93**	73	155
General insurance	18	**(4)**	(38)	(67)
Other operational income	19	**(45)**	(32)	(73)
Operating profit		**391**	386	658
Variation from longer term investment return		**(422)**	96	(90)
Property (expense)/income attributable to minority interests		**(13)**	17	(6)
Release of 1996 Sub-fund		**–**	–	321
(Loss)/profit from continuing operations before tax attributable to equity holders		**(44)**	499	883
Tax attributable to equity holders		**17**	(170)	(165)
(Loss)/profit from ordinary activities after tax		**(27)**	329	718
Loss/(profit) attributable to minority interests		**13**	(17)	6
(Loss)/profit attributable to equity holders of the Company		**(14)**	312	724

	p	p	p
Earnings per share			
Based on operating profit from continuing operations after tax attributable to equity holders	**4.61**	3.93	7.17
Based on (loss)/profit attributable to equity holders of the Company	**(0.23)**	4.80	11.24
Diluted earnings per share			
Based on operating profit from continuing operations after tax attributable to equity holders	**4.59**	3.91	7.13
Based on (loss)/profit attributable to equity holders of the Company	**(0.23)**	4.77	11.18

This supplementary operating profit information provides further analysis of the results reported under International Financial Reporting Standards (IFRS) and we believe gives shareholders a better understanding of the underlying performance of the business.

The restatement of 30 June 2007 operating profit following the restructure of Society's LTF is outlined in Note 15.

Supplementary Operating Profit Information based on results reported under International Financial Reporting Standards

Notes to the Consolidated Income Statement – Operating Profit Basis

15. BASIS OF PREPARATION

IFRS supplementary operating profit is one of the Group's key performance indicators and was restated in the 2007 Annual Report and Accounts to reflect changes in the Group's structure. Operating profit for UK life and pensions business on the IFRS basis is defined to include the net capital released from non profit business and a smoothed investment return on total Society shareholders' assets held both within and outside of Society's long term fund. The change in the definition of UK life and pensions operating profit since the 2007 Interim Report had the effect of increasing H1 07 reported operating profit by £44m. Profit before tax and shareholders' equity were unaffected by this change.

Investment return on non profit business is calculated on a smoothed basis using EEV assumptions applied to the average balance of Society shareholder capital invested assets (including interest bearing intra-group balances) calculated on a quarterly basis.

Operating profit also includes a longer term investment return on the shareholders' funds in our General insurance, Investment management and Netherlands' operations.

16. LIFE AND PENSIONS OPERATING PROFIT

	30.06.08 £m	30.06.07 Restated £m	Full year 2007 £m
Net capital released from non profit business	**95**	153	161
Investment return	**154**	154	317
Other expenses	**(10)**	(15)	(27)
Non profit business	**239**	292	451
With-profits business	**60**	50	106
UK	**299**	342	557
USA	**30**	32	59
Netherlands	**8**	4	11
France	**10**	5	16
	347	383	643

17. INVESTMENT MANAGEMENT OPERATING PROFIT

	30.06.08 £m	30.06.07 £m	Full year 2007 £m
Managed pension funds	**63**	51	103
Property	**4**	5	6
Retail investments	**(1)**	6	8
Other income[1]	**27**	11	38
	93	73	155

1. Other income includes £19m of profits arising from the provision of investment management services charged to the Group's UK life and pensions businesses (H1 07: £4m (LGPL only); FY 07: £23m).

Supplementary Operating Profit Information based on results reported under International Financial Reporting Standards

Notes to the Consolidated Income Statement – Operating Profit Basis continued

18. GENERAL INSURANCE GROSS WRITTEN PREMIUMS AND OPERATING PROFIT

	30.06.08 Premiums written £m	**30.06.08 Operating profit/(loss) £m**	30.06.07 Premiums written £m	30.06.07 Operating profit/(loss) £m	Full year 2007 Premiums written £m	Full year 2007 Operating profit/(loss) £m
From continuing operations						
Household[1]	**129**	**(7)**	122	(52)	255	(86)
Other business[2]	**13**	**3**	36	14	52	19
	142	**(4)**	158	(38)	307	(67)

1. Household business in 2007 includes a loss of £76m (H1 07: £40m) net of reinsurance as a result of flood related claims in June and July 2007.
2. Other business in 2007 includes £6m profit following the withdrawal from the healthcare business in the first quarter.

19. OTHER OPERATIONAL INCOME

	30.06.08 £m	30.06.07 Restated £m	Full year 2007 £m
Shareholders' other income			
Investment return on shareholders' equity[1]	**29**	27	51
Interest expense[2]	**(66)**	(55)	(119)
	(37)	(28)	(68)
Other operations[3]	**(1)**	1	1
Unallocated corporate and development expenses	**(7)**	(5)	(6)
	(45)	(32)	(73)

1. Investment return on shareholders' equity excludes investment return on Society shareholder capital, which is included in UK life and pensions.
2. Interest expense relates to average borrowings, excluding non recourse financing (see Note 27).
3. Principally the regulated mortgage network and Cofunds.

International Financial Reporting Standards Basis
Condensed Consolidated Income Statement

Six months ended 30 June 2008

	Notes	**30.06.08 £m**	30.06.07 £m	Full year 2007 £m
Net premiums earned		**3,031**	2,029	4,283
Fees from fund management and investment contracts		**358**	313	640
Investment return		**(17,196)**	6,588	13,225
Operational income		**22**	28	54
Total revenue		**(13,785)**	8,958	18,202
Net claims and change in insurance liabilities		**1,378**	1,177	4,122
Change in provisions for investment contract liabilities		**(15,434)**	6,325	11,999
Finance costs		**189**	80	214
Other expenses[1]		**466**	851	1,072
Total expenses		**(13,401)**	8,433	17,407
(Loss)/profit before income tax		**(384)**	525	795
Income tax attributable to policyholder returns		**340**	(26)	88
(Loss)/profit from continuing operations before income tax attributable to equity holders		**(44)**	499	883
Total income tax credit/(expense)		**357**	(196)	(77)
Income tax attributable to policyholder returns		**(340)**	26	(88)
Income tax attributable to equity holders		**17**	(170)	(165)
(Loss)/profit from ordinary activities after income tax		**(27)**	329	718
Attributable to:				
Minority interests		**(13)**	17	(6)
Equity holders of the Company		**(14)**	312	724
Dividend distributions to equity holders of the Company during the period	21	**248**	248	369
Dividend distributions to equity holders of the Company proposed after the period end	21	**115**	122	247
		p	p	p
Earnings per share				
Based on (loss)/profit from continuing operations after income tax attributable to equity holders	24	**(0.23)**	4.80	11.24
Diluted earnings per share				
Based on (loss)/profit from continuing operations after income tax attributable to equity holders	24	**(0.23)**	4.77	11.18

1. Includes £321m release of 1996 Sub-fund in full year 2007.

This financial information was approved by the Board on 4 August 2008.

The results for the six months to 30 June 2008 and 30 June 2007 are unaudited, but have been subject to a review by the Group's independent 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 consolidated Group financial statements approved on 17 March 2008 which have been filed with the Registrar of companies. The published full year 2007 consolidated Group financial statements prepared under IFRS included an independent auditors' report which was unqualified and did not contain a statement under either Sections 237(2) or 237(3) of the Companies Act 1985.

International Financial Reporting Standards Basis

Condensed Consolidated Balance Sheet

As at 30 June 2008

	Notes	At 30.06.08 £m	At 30.06.07 £m	At 31.12.07 £m
Assets				
Investments		**267,674**	235,303	276,438
Other assets		**6,792**	5,765	4,847
Total assets		**274,466**	241,068	281,285
Equity and liabilities				
Capital and reserves attributable to equity holders of the Company		**4,675**	5,515	5,446
Minority interests	28	**175**	456	178
Total equity	26	**4,850**	5,971	5,624
Subordinated borrowings	27	**1,444**	1,371	1,461
Participating contract liabilities		**18,641**	21,508	20,570
Non-participating contract liabilities		**241,284**	205,771	247,779
Senior borrowings	27	**1,742**	1,332	1,327
Other liabilities and provisions		**6,505**	5,115	4,524
Total liabilities		**269,616**	235,097	275,661
Total equity and liabilities		**274,466**	241,068	281,285

Consolidated Statement of Recognised Income and Expense

Six months ended 30 June 2008

	30.06.08 £m	30.06.07 £m	Full year 2007 £m
Exchange differences on translation of overseas operations	**8**	(1)	4
Actuarial gains/(losses) on defined benefit pension schemes	**20**	62	(40)
Actuarial (gains)/losses on defined benefit pension schemes transferred to unallocated divisible surplus	**(8)**	(25)	16
Net change in financial investments designated as available-for-sale	**(19)**	(4)	1
Income/(expense) recognised directly in equity, net of tax	**1**	32	(19)
(Loss)/profit from ordinary activities after income tax	**(27)**	329	718
Total recognised income and expense	**(26)**	361	699
Attributable to:			
Minority interests	**(13)**	17	(6)
Equity holders of the Company	**(13)**	344	705

International Financial Reporting Standards Basis

Condensed Consolidated Cash Flow Statement

Six months ended 30 June 2008

	Notes	**30.06.08 £m**	30.06.07 £m	Full year 2007 £m
(Loss)/profit from ordinary activities after income tax		**(27)**	329	718
Adjustments for non cash movements in net profit for the period		**17,367**	(6,090)	(12,322)
Net increase in operational assets		**(827)**	(6,164)	(8,650)
Net (decrease)/ increase in operational liabilities		**(19,758)**	9,921	17,425
Cash used in operating activities		**(3,245)**	(2,004)	(2,829)
Interest paid		**(196)**	(91)	(214)
Interest received		**2,609**	1,946	4,202
Income tax paid		**(165)**	(141)	(244)
Dividends received		**2,463**	1,756	3,312
Net cash flows from operating activities		**1,466**	1,466	4,227
Cash flows from investing activities				
Net acquisition of plant and equipment		**(10)**	(43)	(58)
Acquisitions (net of cash acquired)	22	**1,004**	–	–
Net cash flows from investing activities		**994**	(43)	(58)
Cash flows from financing activities				
Dividend distributions to equity holders of the Company during the year		**(248)**	(248)	(369)
Proceeds from issue of share capital		**7**	3	4
Purchase of employee scheme shares		**(8)**	(3)	(5)
Repurchase of shares under share buyback programme		**(408)**	–	(320)
Net increase in borrowings		**260**	339	311
Net cash flows from financing activities		**(397)**	91	(379)
Net increase in cash and cash equivalents		**2,063**	1,514	3,790
Exchange gains/(losses) on cash and cash equivalents		**19**	(9)	17
Cash and cash equivalents at 1 January		**8,737**	4,930	4,930
Cash and cash equivalents at 30 June/31 December		**10,819**	6,435	8,737

The Group's condensed consolidated cash flow statement includes all cash and cash equivalent flows, including those relating to the UK long term fund policyholders.

Notes to the Financial Statements

20. BASIS OF PREPARATION

The Group's financial information for the period ended 30 June 2008 has been prepared in accordance with the Listing Rules of the Financial Services Authority. The Group's financial information has been prepared in accordance with the accounting policies and methods of computation which the Group expects to adopt for the 2008 year end. These policies are consistent with the principal accounting policies which were set out in the Group's 2007 consolidated financial statements which were consistent with IFRSs issued by the International Accounting Standards Board as adopted by the European Commission for use in the European Union. The Group has adopted IAS 34, 'Interim Financial Reporting', in preparing its 2008 Half-year Report.

The preparation of the Half-year Report includes the use of estimates and assumptions which affect items reported in the consolidated balance sheet and income statement and the disclosure of contingent assets and liabilities at the date of the financial information. The economic and non-economic actuarial assumptions used to establish the liabilities in relation to insurance and investment contracts are significant. For half-year financial reporting, economic assumptions have been updated to reflect market conditions. Non-economic assumptions are consistent with those used in the 31 December 2007 financial statements except for higher expense assumptions on unit pensions and non profit annuity contracts and lower expense assumptions for our term assurance business. Claims in payment expense assumptions for our group permanent health insurance business have also been reviewed and strengthened. All of these changes reflect experience to date in 2008.

Changes to non-economic assumptions during the period have led to an increase in non profit contract liabilities of £7m in the period ending 30 June 2008 (H1 07: £6m; FY 07: £137m).

Estimates are based on management's best knowledge of current circumstances and future events and actions, however, actual results may differ from those estimates, possibly significantly.

21. DIVIDENDS

	30.06.08 p	**30.06.08 £m**	30.06.07 p	30.06.07 £m	Full year 2007 p	Full year 2007 £m
Dividends paid in the period	**4.10**	**248**	3.81	248	5.68	369
Dividend proposed[1]	**2.01**	**115**	1.87	122	4.10	247

1. The dividend proposed has not been included as a liability in the balance sheet.

22. ACQUISITIONS

Company name	Notes	**Date of acquisition**	**Cash paid £m**	**Transaction costs £m**	**Total cost £m**	**Total net assets acquired £m**
Nationwide Life Limited	(i)	**31/01/08**	**250**	**2**	**252**	**252**
Nationwide Unit Trust Managers Limited	(ii)	**31/01/08**	**49**	**1**	**50**	**50**
Suffolk Life Group Plc	(iii)	**06/05/08**	**62**	**1**	**63**	**63**

The Group has acquired 100% of the shares of each company. No goodwill has arisen in respect of these acquisitions.

(i) Nationwide Life Limited

The values of the purchased interest in long term business on acquired insurance and investment contracts have been calculated using discounted cash flow methodology. These were recognised on the balance sheet at £127m and £2m gross of tax respectively (with corresponding deferred tax liabilities of £19m and £1m). The intangible assets will be amortised in line with the expected emergence of profit from the business. With effect from 31 January 2008 it has contributed £8m to the consolidated profit before tax and before amortisation of the purchased interest in long term business.

22. ACQUISITIONS **continued**

(ii) Nationwide Unit Trust Managers Limited

The value of the purchased interest in long term business on investment contracts acquired has been calculated using discounted cash flow methodology and recognised on the balance sheet at £29m gross of tax, with a corresponding deferred tax liability of £8m. This intangible asset will be amortised in line with the expected emergence of profit from the business. With effect from 31 January 2008 it has contributed £2m to the consolidated profit before tax and before amortisation of the purchased interest in long term business.

(iii) Suffolk Life Group Plc

The value of the purchased interest in long term business on investment contracts acquired has been calculated using discounted cash flow methodology and recognised on the balance sheet at £47m gross of tax, with a corresponding deferred tax liability of £13m. The value of the acquired customer relationship intangible has been calculated using the discounted cash flow methodology and recognised on the balance sheet at £15m gross of tax, with a corresponding deferred tax liability of £3m. The intangible assets will be amortised in line with the expected emergence of profit from the business. With effect from 6 May 2008 it has contributed £1m to the consolidated profit before tax and before amortisation of the purchased intangibles.

(i) Nationwide Life Limited – Assets and liabilities at date of acquisition

	Book value £m	Adjustments £m	Fair value £m
Assets			
Purchased interest in long term businesses	–	129	129
Financial investments	1,276	–	1,276
Reinsurers' share of contract liabilities	286	–	286
Deferred acquisition costs	15	(15)	–
Income tax recoverable	15	(15)	–
Other assets	4	–	4
Cash and cash equivalents	599	–	599
Total assets	2,195	99	2,294
Liabilities			
Non-participating contract liabilities	1,221	–	1,221
Tax liabilities	8	15	23
Other liabilities	801	(3)	798
Total liabilities	2,030	12	2,042
Net assets	165	87	252

Adjustments include the recognition of acquired intangibles and application of consistent Group accounting policies.

22. ACQUISITIONS continued

(ii) Nationwide Unit Trust Managers Limited – Assets and liabilities at date of acquisition

	Book value £m	Adjustments £m	Fair value £m
Assets			
Purchased interest in long term businesses	–	29	29
Deferred acquisition costs	29	(29)	–
Other assets	70	–	70
Cash and cash equivalents	30	–	30
Total assets	129	–	129
Liabilities			
Provisions	14	–	14
Deferred income liabilities	1	(1)	–
Tax liabilities	5	5	10
Other liabilities	55	–	55
Total liabilities	75	4	79
Net assets	54	(4)	50

Adjustments include the recognition of acquired intangibles and application of consistent Group accounting policies.

(iii) Suffolk Life Group Plc – Assets and liabilities at date of acquisition

	Book value £m	Adjustments £m	Fair value £m
Assets			
Purchased interest in long term businesses	–	62	62
Plant and equipment	1	–	1
Investment property	503	–	503
Financial investments	1,763	(2)	1,761
Income tax recoverable	1	–	1
Other assets	60	–	60
Cash and cash equivalents	738	2	740
Total assets	3,066	62	3,128
Liabilities			
Non-participating contract liabilities	2,893	–	2,893
Senior borrowings	153	–	153
Tax liabilities	–	16	16
Other liabilities	3	–	3
Total liabilities	3,049	16	3,065
Net assets	17	46	63

Adjustments include the recognition of acquired intangibles and application of consistent Group accounting policies.

23. SEGMENTAL ANALYSIS

The Group is organised into three main business segments:
– Long term business
– Investment management
– General insurance

Other operations comprise estate agencies, regulated mortgage network, corporate expenses and assets held outside the three main business segments, none of which constitutes a separately reportable segment.

As a result of Society's long term fund restructure, the Society shareholder capital held outside of the LTF has been reclassified as attributable to long term business. The 30 June 2007 comparatives have been restated accordingly.

Six months ended 30 June 2008	**Long term business £m**	**Investment management £m**	**General insurance £m**	**Other operations £m**	**Elimination of inter segment amounts £m**	**Total £m**
Total revenue from continuing operations[1]	**(551)**	**(13,380)**	**136**	**122**	**(112)**	**(13,785)**
Total expenses from continuing operations	**(66)**	**(13,521)**	**157**	**141**	**(112)**	**(13,401)**
(Loss)/profit from continuing operations after income tax	**(61)**	**64**	**(16)**	**(14)**	**–**	**(27)**
Inter segment revenue	**(17)**	**(47)**	**–**	**(48)**	**112**	**–**

Six months ended 30 June 2007	Long term business Restated £m	Investment management £m	General insurance £m	Other operations Restated £m	Elimination of inter segment amounts Restated £m	Total £m
Total revenue from continuing operations[1]	3,234	5,443	149	242	(110)	8,958
Total expenses from continuing operations	2,842	5,342	196	163	(110)	8,433
Profit/(loss) from continuing operations after income tax	241	50	(33)	71	–	329
Inter segment revenue	(14)	(30)	–	(66)	110	–

Full year ended 31 December 2007	Long term business £m	Investment management £m	General insurance £m	Other operations £m	Elimination of inter segment amounts £m	Total £m
Total revenue from continuing operations[1]	6,540	11,379	308	233	(258)	18,202
Total expenses from continuing operations	5,793	11,169	384	319	(258)	17,407
Profit/(loss) from continuing operations after income tax	719	109	(55)	(55)	–	718
Inter segment revenue	(40)	(79)	–	(139)	258	–

1. Total revenue from continuing operations includes investment return (further details are provided in the condensed consolidated income statement).

24. EARNINGS PER SHARE

	30.06.08 Basic p	**30.06.08 Diluted p**	30.06.07 Basic p	30.06.07 Diluted p	Full year 2007 Basic p	Full year 2007 Diluted p
Based on profit attributable to equity holders	**(0.23)**	**(0.23)**	4.80	4.77	11.24	11.18

Notes to the Financial Statements continued

25. SHARE CAPITAL AND SHARE PREMIUM

Issued share capital, fully paid	Number of shares	Share capital £m	Share premium £m
As at 1 January 2008	**6,296,321,160**	**157**	**927**
Shares cancelled under share buyback programme[1]	**(329,936,896)**	**(8)**	–
Options exercised under share option schemes			
– Executive share option scheme	**550,346**	–	–
– Savings related share option scheme	**12,075,304**	–	**7**
As at 30 June 2008	**5,979,009,914**	**149**	**934**

Issued share capital, fully paid	Number of shares	Share capital £m	Share premium £m
As at 1 January 2007	6,532,261,961	163	923
Options exercised under share option schemes			
– Executive share option scheme	1,659,031	–	2
– Savings related share option scheme	1,596,379	–	1
As at 30 June 2007	6,535,517,371	163	926

Issued share capital, fully paid	Number of shares	Share capital £m	Share premium £m
As at 1 January 2007	6,532,261,961	163	923
Shares cancelled under share buyback programme	(241,207,267)	(6)	–
Options exercised under share option schemes			
– Executive share option scheme	1,961,215	–	2
– Savings related share option scheme	3,305,251	–	2
As at 31 December 2007	6,296,321,160	157	927

1. During the period, 329,936,896 shares were repurchased and cancelled under the share buyback programme representing 5.2% of opening issued share capital, at a cost of £408m including expenses. At 29July 2008, a further 37,963,364 ordinary shares had been purchased for cancellation at a total cost of £37m including expenses.

There is one class of ordinary shares. All shares issued carry equal voting rights.

The holders of the Company's ordinary shares are entitled to receive dividends as declared and are entitled to one vote per share at shareholder meetings of the Company.

26. TOTAL EQUITY

	30.06.08 £m	30.06.07 £m	Full year 2007 £m
As at 1 January	**5,624**	5,839	5,839
Total recognised income and expense	**(26)**	361	699
Issue of ordinary share capital	**7**	3	4
Share buyback	**(408)**	–	(320)
Closed period share buyback reserve[1]	**(100)**	–	–
Net movements in employee scheme shares	**(9)**	(9)	1
Dividend distributions to equity holders of the Company during the period	**(248)**	(248)	(369)
Movements in minority interests including disposals	**10**	25	(230)
As at 30 June/31 December	**4,850**	5,971	5,624

1. On 30 June 2008 Legal & General Group Plc entered into an irrevocable agreement to acquire up to £100m of ordinary shares during the closed period from 1 July 2008 to 4 August 2008. Accordingly, a liability of £100m has been recorded in the balance sheet with a corresponding amount in equity. This balance will be eliminated on expiry of the contract.

27. ANALYSIS OF BORROWINGS

	At 30.06.08 £m	At 30.06.07 £m	At 31.12.07 £m
Subordinated borrowings			
6.385% Sterling perpetual capital securities	**589**	580	620
5.875% Sterling undated subordinated notes	**427**	428	427
4.0% Euro subordinated notes 2025	**428**	363	414
Total subordinated borrowings	**1,444**	1,371	1,461
Senior borrowings			
Sterling medium term notes 2031–2041	**602**	602	608
Euro commercial paper	**347**	114	118
Bank loans	**54**	18	13
Non recourse financing			
– US Dollar Triple X securitisation 2025	**266**	264	266
– US Dollar Triple X securitisation 2037	**223**	220	223
– Suffolk Life linked borrowings	**152**	–	–
– Sterling property partnership loans 2011	**98**	114	99
Total senior borrowings	**1,742**	1,332	1,327
Total borrowings	**3,186**	2,703	2,788
Total borrowings (excluding non recourse financing)	**2,447**	2,105	2,200

Subordinated borrowings
For regulatory purposes the sterling perpetual capital securities are treated as innovative tier I capital, the sterling undated subordinated notes as upper tier II capital and the Euro subordinated notes as lower tier II capital.

6.385% Sterling perpetual capital securities
In 2007, Legal & General Group Plc issued £600m of 6.385% sterling perpetual capital securities. These securities are callable on 2 May 2017 and every three months thereafter. If not called, the coupon from 2 May 2017 will be reset to three month LIBOR plus 1.93% per annum. Simultaneous with the issuance, the fixed coupon was swapped into six month LIBOR plus 0.94% per annum.

5.875% Sterling undated subordinated notes
These notes are callable on 1 April 2019 and every five years thereafter. If not called, the coupon from 1 April 2019 will be reset to the prevailing five year benchmark gilt yield plus 2.33% per annum.

4.0% Euro subordinated notes 2025
These notes are callable on 8 June 2015 and each year thereafter. If not called, the coupon from 8 June 2015 will reset to a floating rate of interest based on prevailing three month Euribor plus 1.7% per annum. The proceeds were swapped into sterling.

Non recourse financing
US Dollar Triple X securitisations
This non recourse debt was issued by a subsidiary of Legal & General America Inc in the US capital markets to meet the Triple X reserve requirements on the US term insurance business. They are secured on the cash flows related to this business.

Suffolk Life linked borrowings
These borrowings relate solely to client investments.

Sterling property partnership loans 2011
These loans are secured on specific properties.

28. MINORITY INTERESTS

Minority interests represent third party interests in property investment vehicles which are consolidated in the Group's results.

29. FOREIGN EXCHANGE RATES

Period end exchange rates	At 30.06.08	At 30.06.07	At 31.12.07
United States Dollar	**1.99**	2.01	1.99
Euro	**1.26**	1.49	1.36

Average exchange rates	01.01.08-30.06.08	01.01.07-30.06.07	01.01.07-31.12.07
United States Dollar	**1.97**	1.97	2.00
Euro	**1.29**	1.48	1.46

30. RELATED PARTY TRANSACTIONS

There were no material transactions between key management and the Legal & General group of companies. All transactions between the Group and its key management are on commercial terms which are no more favourable than those available to employees in general. Contributions to the post-employment benefit plans were £9m.

At 30 June 2008, 30 June 2007 and 31 December 2007 there were no loans outstanding to officers of the Company.

Key management personnel compensation

The aggregate compensation for key management personnel, including executive and non-executive directors, is as follows:

	30.06.08 £m	30.06.07 £m	Full year 2007 £m
Salaries	**3**	3	6
Social security costs	**1**	1	1
Post-employment benefits	**–**	1	1
Share-based incentive awards	**1**	1	3
Key management personnel compensation	**5**	6	11
Number of key management personnel	**16**	16	16

The UK defined benefit pension schemes have purchased annuity contracts issued by Society for consideration of £16m (H1 07: £15m; FY 07: £52m) during the period, priced on an arm's length basis.

The Group's investment portfolio includes investments in venture capital, property and financial investments which are held via collective investment vehicles. Net investments into associate investment vehicles totalled £1,240m during the half-year (H1 07: £1,727m; FY 07: £1,394m). The Group has outstanding loans to these associates of £8m (H1 07: £7m; FY 07: £5m) and received investment management fees of £22m during the period (H1 07: £27m; FY 07: £41m). Distributions from these investment vehicles to the Group totalled £92m (H1 07: £124m; FY 07: £178m).

31. PENSION COST

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 the majority of worldwide assets of, and contributions to, such arrangements. At 30 June 2008, the combined after tax deficit arising from these arrangements (net of annuity obligations insured by Society) has been estimated at £135m (H1 07: £75m; FY 07: £130m). These amounts have been recognised in the financial statements with £80m charged against shareholder equity (H1 07: £45m; FY 07: £77m) and £55m against unallocated divisible surplus (H1 07: £30m; FY 07: £53m).

32. 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 Financial Services Authority (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.

The recent Consultation Paper 08/11 issued by FSA proposes certain changes which would preclude the discharge out of any with-profits fund of compensation and redress (including for mis-selling claims) to holders of policies allocated to such with-profits fund. The effect of the FSA's proposals appears to be that the cost of such payments would in future, have to be met out of assets attributable to the shareholders. These proposals are only currently at a consultation stage and the Group is intending to make representations in respect of these. Until the extent of the actual rule changes becomes clearer, it is not possible to say with any reasonable certainty what the financial impact on the Group will be.

Various Group companies receive claims and become involved in actual or threatened litigation and regulatory issues from time to time. 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 claims, litigation or issues may give rise. The relevant members of the Group nevertheless consider that each makes prudent provision, 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, Legal & General Assurance Society Limited ('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. Nederlandse Reassurantie Groep NV is now owned by Columbia Insurance Company, a subsidiary of Berkshire Hathaway Inc. 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.

The Society has been discussing with Her Majesty's Revenue & Customs the application of certain tax legislation specific to life assurance companies for the years 1999 to 2006. It has not been possible to reach agreement and a reference will be made in 2009 to the Special Commissioners. The maximum exposure is estimated to be £230m. No amount is included in respect of this issue in the income tax provision at 30 June 2008, as the Group's view, supported by leading tax counsel, is that no amount will be payable.

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.

33. EVENTS AFTER THE BALANCE SHEET DATE

Since 30 June 2008, additional shares have been purchased under the Company's buyback programme. At 29 July 2008, a further 37,963,364 ordinary shares (representing 0.6% of Legal & General Group Plc's issued share capital at 30 June 2008) had been purchased for cancellation at a total cost of £37m including expenses, at an average cost of 96.9p per share. Cumulatively, a total of 609,107,527 shares have been repurchased at a total cost of £764m.

Independent Review Report to Legal & General Group Plc

Introduction
We have been engaged by the company to review the financial information in the half-yearly financial report for the six months ended 30 June 2008, which comprises the consolidated income statement, the consolidated balance sheet as at 30 June 2008 and associated notes prepared on the European Embedded Value ("EEV") basis ("the supplementary financial statements"), and the condensed consolidated income statement, condensed balance sheet as at 30 June 2008, the consolidated statement of recognised income and expense, the condensed consolidated cash flow statement and associated notes, prepared in accordance with the accounting policies set out in Note 20 ("the condensed set of financial statements", together "the interim financial information"). We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial information.

Directors' responsibilities
The half-yearly financial report is the responsibility of, and has been approved by, the directors.

The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority. As disclosed in Note 20, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

The directors are responsible for preparing the supplementary financial statements in accordance with the EEV basis set out in Notes 1 and 14.

Our responsibility
Our responsibility on the condensed set of financial statements in the half-yearly financial report is to express to the company a conclusion based on our review. This report on the condensed set of financial statements, including the conclusion, has been prepared for and only for the company for the purpose of the Disclosure and Transparency Rules of the Financial Services Authority and for no other purpose.

Our responsibility on the supplementary financial statements in the half-yearly financial report is to express to the company a conclusion based on our review. This report on the supplementary financial statements, including the conclusion, has been prepared for and only for the company in accordance with our letter of engagement dated 24 July 2008 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.

Scope of review
We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion
Based on our review, nothing has come to our attention that causes us to believe that:

- the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2008 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority; and,
- the supplementary financial statements in the half-yearly financial report for the six months ended 30 June 2008 are not prepared, in all material respects, in accordance with the EEV basis set out in Notes 1 and 14.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants
4 August 2008
London

Notes:
(a) The maintenance and integrity of the Legal & General Group Plc 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 financial statements since they were initially presented on the website.
(b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Shareholder Information

DIVIDEND INFORMATION

Dividend per share
The directors have recommended the payment of an interim dividend of 2.01p per share (2007: 1.87p per share), an increase of 7.5%.

The key dates for the interim dividend in 2008 are:

Ex-dividend date	3 September 2008
Record date	5 September 2008
Payable	1 October 2008

Dividend Payments
Legal & General is keen to encourage all its shareholders to have their dividends paid directly into a Bank or Building Society Account.

If you would like more details or a dividend mandate form, please contact our Registrars, Equiniti. Details of how to contact Equiniti can be found below.

Dividend Reinvestment Plan
The Legal & General Dividend Reinvestment Plan (DRIP) enables shareholders to use their cash dividends to purchase Legal & General Group Plc shares. If you would like more details, please contact our Registrars. Alternatively, the DRIP booklet and mandate form can be found in the Investors Section of Legal & General's website at: www.legalandgeneralgroup.com (the Website).

COMMUNICATIONS

Internet
Information about the Company, including details of the current share price, is available in the Investors Section on the Website.

Financial Reports
Legal & General publishes a Half-year Report which is sent to those shareholders who have elected to receive paper copies, and is also available on the Website. Alternatively, shareholders may elect to receive notification by email by registering on www.shareview.co.uk. Copies of previous financial reports including the 2007 Annual Report and Summary Financial Statements are available on the Website. Printed copies can be obtained from Investor Relations.

Investor Relations
For more information on investor relations visit their section of the Website at:
www.legalandgeneralgroup.com/investors/investors.cfm.

REGISTRARS

Legal & General's Registrars are: Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA. Equiniti is the new name for the business that manages Legal & General's Share Register; this follows the sale of Lloyds TSB Registrars in October 2007.

Shareholder Helpline: 0871 384 2118*.

All shareholder enquiries should be addressed to Equiniti. The Registrars also provide the following services:

Electronic Share Service
This Electronic Share 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 Legal & General shares in a nominee holding registered in the name of Equiniti Corporate Nominees Limited.

To join, or obtain further information, contact the Registrars. They will send you a booklet, outlining 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 in the Investors Section of the Website.

Shareview
Shareview allows you to view your Legal & General shareholding on the internet. Registering is easy, simply log on to www.shareview.co.uk and follow the instructions. You will need your shareholder reference number, shown on your latest dividend counterfoil. If you have any queries, please call the Shareholder Helpline.

Consolidation of Share Certificates
Shareholders with more than one share certificate may arrange to have them consolidated into one certificate by contacting the Registrars.

Individual Savings Account (ISA)
Equiniti Financial Services Limited provide a Single Company ISA for Legal & General Group Plc shares. If you would like more information, please call the Shareholder Helpline.

Share Dealing Service
Shareholders may buy or sell shares using the internet or telephone through a number of nominated providers. Details can be found on the Website.

GENERAL INFORMATION

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.

Registered Office
One Coleman Street, London EC2R 5AA. Registered in England and Wales, No. 1417162. Legal & General moved to its new Registered Office on 1 October 2007.

Shareholder Offer Line
For details of shareholder offers on Legal & General products call 0500 65 5555.

* Calls to this number are charged at 8p per minute from a BT landline. Other telephony provider costs may vary.

Get more online at:
www.legalandgeneralgroup.com

Help protect the environment by receiving your communications online. For more information visit:
www.shareview.co.uk

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