

28 July 2005

LEGAL & GENERAL GROUP PLC**INTERIM RESULTS FOR THE SIX MONTHS TO 30 JUNE 2005****HIGHLIGHTS**

- Worldwide new business increased by 28%
- Society's resources of £7.6bn exceeded requirement by £4.4bn
- Group funds under management grew to over £181bn
- Profit before tax on an IFRS basis increased to £476m
- Dividend increased by 2.5% to 1.65p per share

£m	EEV ¹ basis		IFRS ² basis	
	1H 05	1H 04	1H 05	1H 04
Operating profit	465	265 ³	299	272
Profit from continuing operations before tax	693	346	476	104
Shareholders' equity	6,173	5,691	3,793	3,398
Worldwide new business APE ⁴	652	511	652	511
Contribution from new business ⁵	140	130	N/A	N/A
Shareholders' equity per share	95p	87p	58p	52p
Earnings per share (diluted) ⁶	4.98p	3.00p	3.15p	3.00p
Interim dividend per share	1.65p	1.61p	1.65p	1.61p

Group Chief Executive, Sir David Prosser, said:

"Legal & General has again produced another good set of results, with excellent sales growth, increased profits and an increased dividend, whilst enhancing its strong capital position.

Our UK retail savings and protection business has continued to take market share, with both life and pensions and unit trusts performing well. We have strong support for our products and services from all distribution channels and we believe our joint venture with Cofunds to develop their multi-manager platform will further strengthen our position for the future.

Legal & General Investment Management has maintained its outstanding record of new business growth and in this half year increased IFRS profits by 38% over the first half of 2004.

With a strong capital base, a broad product range and a powerful distribution franchise, Legal & General is in an exceptional position to continue with its profitable growth strategy."

Notes

¹ European Embedded Value (EEV). The EEV results have been prepared in accordance with the EEV Principles issued in May 2004 by the European CFO Forum.

² International Financial Reporting Standards (IFRS).

³ After a net charge of £176m for experience variances and operating assumption changes principally relating to the adoption of more conservative mortality experience assumptions for annuity business.

⁴ Annual Premium Equivalent (APE) is total new annual premiums + 10% of single premiums, including ISAs and unit trusts.

⁵ Contribution before tax from new worldwide life and pensions business after the cost of capital.

⁶ Based on operating profit after tax and assuming full dilution from the convertible bond issued in 2001.

Full details of the results can be found in Parts 2 (EEV), 3 (IFRS) and 4 (Legal & General Investment Management).

NEW BUSINESS

£m (APE)	1H 05	1H 04	2Q 05	2Q 04
UK life and pensions:				
- individual	349	277	191	146
- group	77	62	27	39
- total	426	339	218	185
UK ISAs and unit trusts	169	115	94	76
Total UK	595	454	312	261
International	57	57	32	35
Worldwide (including unit trusts)	652	511	344	296
New institutional fund management (£m)	6,875	8,743	3,462	3,312

UK

During the first half of the year, new business volumes grew by 31% to £595m APE (1H04: £454m). Within this figure, new life and pensions business grew by 26% to £426m APE (1H04: £339m). Continuing growth in demand for retail products in the second quarter resulted in a 20% growth in total new business over the corresponding period last year to £312m APE (2Q04: £261m) and a 10% growth on the first quarter of 2005.

Individual life

Annual premium sales for mortgage related protection business fell to £43m (1H04: £53m) reflecting the impact of a slowing housing market offset partly by the distribution of our products through Bradford & Bingley, which commenced in January. Other protection business was broadly unchanged at £24m (1H04: £25m). Despite lower overall volumes and increased price competition, we are confident Legal & General will have maintained its market-leading position in life protection business.

Continued strong demand for unit-linked bonds, where first half volumes rose 58% on the corresponding period last year, more than offset the decline in with-profits bond sales. Our Distribution and Property funds continue to be the focus of customer interest but further product initiatives are planned for the second half of the year. In aggregate, single premium sales rose to £1,042m (1H04: £820m), an increase of 27%.

Individual pensions

Individual pension business made further progress. Annual premiums increased by 36% to £83m (1H04: £61m) and single premium new business was up 69% to £948m (1H04: £562m). Sales benefited from growth in both pensions transfers and individual annuity business. We expect the transfer market to remain buoyant ahead of the introduction of pension simplification in April 2006. Our product range will be expanded with the introduction of a new Self Invested Pension Plan in August.

ISAs and Unit trusts

While regular and single payment ISA sales fell, single payment unit trust sales more than doubled to £1,304m. In total, ISA and unit trust sales grew to £169m APE (1H04: £115m). We achieved £27m APE of institutional sales (1H04: £37m) and also benefited from the restructuring of a number of Barclays UK funds, the effect of which was to generate £58m APE in new business to Legal & General.

Group business

Group new business increased by 24% to £77m APE (1H04: £62m), driven by further progress in our group risk business together with strong bulk purchase annuities sales in the first quarter. Group risk new annual premiums of £42m (1H04: £37m) were driven by a particularly strong first quarter when several larger schemes were won. Single premiums for bulk purchase annuity business were £329m (1H04: £230m) from 115 schemes (1H04: 92 schemes).

International

In the USA, new business was lower at £19m APE (1H04: £27m) in more challenging market conditions. New business volumes in Europe were resilient and, including retail investment business, grew to £38m APE (1H04: £30m). Our performance in the Netherlands was driven by growth in single premium sales. In France we achieved good progress in savings and group protection sales.

Legal & General Investment Management

Legal & General Investment Management has maintained its remarkable record of averaging £1bn of new business per month, with new business in the first half totalling £6,875m (1H04: £8,743m, which included one particularly large mandate for £1.7bn). Successes in the current year included sales of £758m of actively managed bonds. Also, £721m of index fund business was generated from overseas customers as we continued to broaden the product range and geographic sources of our business.

PROFIT - EEV BASIS

£m	1H 05	1H 04
Profit from continuing operations:		
UK life and pensions	340	153 ¹
International life and pensions	45	31
Institutional fund management	66	51
General insurance	4	17
Other operational income	10	13
Operating profit	465	265
Variation from longer term investment return	206	80
Effect of economic assumption changes	11	(7)
Property income attributable to minority interests	11	8
Profit from continuing operations before tax	693	346
Tax	(182)	(100)
Effect of UK tax changes	(276)	-
Profit from continuing operations after tax	235	246
Profit from discontinued operations	13	2
Profit attributable to minority interests	(11)	(8)
Profit attributable to equity holders	237	240
Diluted earnings per share ²	4.98p	3.00p

¹After a net charge of £176m for experience variances and operating assumption changes principally relating to the adoption of more conservative mortality experience assumptions for annuity business.
²Based on operating profit after tax.

UK life and pensions

Operating profit was £340m (1H04: £153m). Growth in life and pensions volumes enabled the new business contribution before tax and after the cost of capital to increase to £129m (1H04: £120m). The margin on UK new business (expressed as the value added from new business divided by the present value of new business premiums) was 4.1% (1H04: 5.0%) as the consequence of a different business mix, reduced margins on protection business and the impact of the UK tax changes.

The contribution from in-force business of £152m was closely aligned to the expected return with no significant experience variances or operating assumption changes. In 2004, the in-force value decreased by £38m following the adoption of revised annuitant mortality assumptions.

International life and pensions

Operating profit from international life and pensions business was £45m (1H04: £31m), including a new business contribution of £11m net of the cost of capital (1H04: £10m). The contribution from in-force business was £26m (1H04: £14m).

In the USA, operating profit was £19m (1H04: £11m) despite the level of claims exceeding the assumed level. The contribution from new business in the first half of 2005 was £3m (1H04: £1m) and has been calculated assuming no external financing for Triple X reserves. A securitisation transaction to finance such reserves on 2003 and 2004 new business was implemented successfully in the final quarter of 2004.

The operating profit was £16m in the Netherlands (1H04: £14m) and £10m in France (1H04: £6m). The combined contribution from new business after the cost of capital was £8m (1H04: £9m).

Legal & General Investment Management

The profit from our fund management business grew by 29% to £66m (1H04: £51m), with improved results for both new and in-force business for managed pension funds. The contribution from new managed pension fund business after the cost of capital was £21m (1H04: £17m) reflecting higher average fee rates on that new business. The result for in-force business benefited from both the increased scale of the business and better than assumed persistency.

Group funds under management grew to a record £181bn at 30 June 2005 (30 June 2004: £148bn). Funds under management by Legal & General Investment Management were £178bn (30 June 2004: £146bn) of which £116bn was managed for external clients.

General insurance

Gross written premiums from continuing operations grew 8% to £170m (1H04: £158m) with the growth coming from the household and healthcare business lines.

The operating profit on continuing operations was significantly lower at £4m (1H04: £17m). The main impact was the reduced operating profit of £2m (1H04: £11m) from the household account which reflected higher bad weather claims. Other factors contributing to the overall result were a smaller release of reserves from the mortgage indemnity book and a loss on our motor account.

The previously announced sale of our 90% stake in Gresham Insurance Company Ltd to Barclays Bank PLC was completed on 31 March 2005. The sale and first quarter trading result gave rise to a profit from discontinued operations of £13m after tax.

Other operational income

Other operational income comprises the longer term investment return arising from investments held outside the UK long term fund, interest expense, the results of the Group's other operations and unallocated corporate expenses. The contribution of £10m (1H04: £13m) reflects higher interest expense, the impact of which has been partly offset by lower unallocated corporate and development expenses.

Profit on ordinary activities

The Group's operating profit before tax was £465m (1H04: £265m). The profit from continuing operations before tax, which includes the effect of variances in investment return from the longer term return assumed at the end of 2004, was £693m (1H04: £346m). The investment return on the equity and property portfolio of the UK long term fund was 3.7% above the assumption for the period (1H04: 0.9% above assumption).

On 3 December 2004, we reported that one proposed change to the taxation of UK life business would result in a one-off reduction in the embedded value of our UK long term fund. Legislation was included in the second Finance Act 2005, which received Royal Assent on 20 July 2005. The EEV results are computed assuming current tax rules and any known future changes. The impact is presented in the EEV income statement as additional tax of £276m. The tax charge in the IFRS results does not reflect the change, as it was not substantively enacted at 30 June 2005.

PROFIT - IFRS BASIS

£m	1H 05	1H 04
Profit from continuing operations:		
Life and pensions	241	210
Institutional fund management	44	32
General insurance	4	17
Other operational income	10	13
Operating profit	299	272
Variation from longer term investment return	50	(26)
Shareholder retained capital (SRC) movement	116	(150) ¹
Property income attributable to minority interests	11	8
Profit from continuing operations before tax	476	104
Tax	(120)	(30)
Profit from continuing operations after tax	356	74
Profit from discontinued operations	13	2
Profit attributable to minority interests	(11)	(8)
Profit attributable to equity holders	358	68
Diluted earnings per share ²	3.15p	3.00p

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

²Based on operating profit after tax

Operating profit was £299m (1H04: £272m), benefiting from substantially increased profit from institutional fund management and from the impact of favourable investment variances in overseas life and pensions.

The UK life and pensions operating profit before tax was £183m (1H04: £178m), as the slightly lower with-profits contribution was more than offset by an increased transfer from the non profit business. The accrued transfer from non profit business has been determined by reference to a smoothed investment return on both the shareholder net worth and the embedded value of non profit business, augmented by the distribution in respect of the intra-group subordinated debt capital attributed to the SRC. The external servicing cost of the related debt has been reflected in interest expense reported within other operational income.

The operating profit from our overseas life and pensions businesses was £58m (1H04: £32m). This was primarily as the result of a significantly increased contribution from the Netherlands where, under IFRS, assets but not liabilities are valued at fair value.

Legal & General Investment Management profits grew by 38% to £44m (1H04: £32m). The result reflected the increased scale of the business and tightly controlled costs.

In aggregate, the SRC increased by £116m pre-tax (1H04: a reduction of £150m). This reflected the impact of improved investment returns, the net capital released from the growing book of non profit business and the transfer to shareholders from non profit business. The new business strain on higher volumes of non profit business was broadly offset by the expected release of capital from the existing book of business.

CAPITAL STRENGTH

Legal & General remains one of the strongest companies in its sector. Our capital position underpins our ability to continue to grow new business volumes profitably.

As at 30 June 2005, the value of the assets supporting the UK with-profits business was estimated to have exceeded realistic liabilities by £970m (31 December 2004: £860m). The required Risk Capital Margin (RCM) for the with-profits fund, calculated by reassessing realistic assets and liabilities in financially stressed conditions, was £470m at 30 June 2005 (31 December 2004: £640m). The RCM has fallen significantly, primarily as a result of management actions taken during the first half of 2005 to reduce the with-profits fund's exposure to financial risks.

The total capital resources available to Legal & General Assurance Society Ltd (the Group's main UK operating subsidiary) amounted to £7.6bn at 30 June 2005 (£7.0bn at 31 December 2004), which included an implicit item of £755m in respect of non profit business, and exceeded the total capital requirement by £4.4bn (£4.0bn at 31 December 2004).

At Group level, the Insurance Group Directive capital surplus was £1.9bn in excess of the required capital of £3.4bn.

CHIEF EXECUTIVE SUCCESSION

Tim Breedon was appointed Deputy Group Chief Executive with effect from 1 June 2005. Sir David Prosser will stand down from the Group Board at the end of the year but will remain in the employment of the Group until his retirement in March 2006. Tim Breedon will assume the role of Group Chief Executive from 1 January 2006.

OUTLOOK

The UK market will continue to offer opportunities to grow our business and we expect to outperform the market in the second half. However, second half comparators are more demanding so the growth rate is likely to be lower.

Life protection sales will continue to be impacted by the level of housing market transactions but re-mortgaging activity remains relatively resilient. Unit-linked bond sales have been strong reflecting increasing consumer confidence as equity markets recover. We expect demand for medium term savings products to be further supported by rising equity values and to benefit from the extension of our product range.

Pension sales have been buoyant in the first half and we would expect the Government's initiatives on pension simplification to have a positive impact in 2006. Despite this, the overall level of saving for retirement is insufficient to meet the Government's policy objectives. We look forward to the second report of the Pensions Commission to be published in the autumn, which will make recommendations to address the issues identified in the initial report.

The advent of depolarisation has led advisors to review their distribution models. A number of IFA networks have developed a multi-tie capability and we were pleased that Sesame recently announced Legal & General's inclusion in their multi-tie panel. Home of Choice, the independent mortgage network, has announced today that Legal & General has been appointed to its mortgage protection panel.

Our partnership with Cofunds will allow independent advisors to use the Cofunds platform to offer multi-manager choice within Legal & General bond and pensions products. A Legal & General branded version of the platform will offer that flexibility to tied advisors and has been adopted by Bradford & Bingley for their Portfolio Bond.

These important developments reinforce the strength and breadth of Legal & General's product range and distribution capabilities. We also believe that further market share concentration will provide Legal & General with good opportunities for profitable growth. We have the combination of products, brand, financial strength and distribution to be able to take full advantage of these opportunities.

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Notes:

- The interim financial information has been reviewed by PricewaterhouseCoopers LLP and prepared in conjunction with our consulting actuaries - Tillinghast Towers-Perrin and, in the USA, Milliman USA.
- Issued share capital at 30 June 2005 was 6,506,191,429 shares of 2.5p each.
- A copy of this announcement can be found in the News and Results section of our Shareholder site at <http://investor.legalandgeneral.com/releases.cfm>
- A presentation to analysts and fund managers will take place at 09.30 today at Temple Court, 11 Queen Victoria Street, London EC4N 4TP. An audio cast of the presentation will be available later today at <http://investor.legalandgeneral.com/presentations.cfm>

Financial Calendar:

Ex dividend date for interim dividend	7 September 2005
Record date for interim dividend	9 September 2005
Payment date for interim dividend	3 October 2005
Third quarter new business results	20 October 2005

Note: a Dividend Re-investment Plan is available to shareholders

Part 2

Legal & General Group Plc

P1

Consolidated Income Statement - European Embedded Value Basis

Six months ended 30 June 2005

	Notes	30.6.05 £m	30.6.04 Restated £m	Full year 2004 Restated £m
<i>Profit from continuing operations</i>				
Life and pensions	1 / 2	385	184	587
Institutional fund management		66	51	104
General insurance	3	4	17	32
Other operational income	4	10	13	22
Operating profit		465	265	745
Variation from longer term investment return	7	206	80	414
Effect of economic assumption changes	1	11	(7)	34
Property income attributable to minority interests		11	8	32
Profit from continuing operations before tax		693	346	1,225
Tax	12	(182)	(100)	(349)
Effect of UK tax changes	13	(276)	-	-
Profit from continuing operations after tax		235	246	876
Profit from discontinued operations		13	2	5
Profit on ordinary activities after tax		248	248	881
Profit attributable to minority interests	8	(11)	(8)	(32)
Profit attributable to equity holders		237	240	849
Earnings per share				
	14	p	p	p
Based on operating profit from continuing operations after tax		5.10	3.01	8.27
Based on profit attributable to equity holders		3.67	3.70	13.10
Diluted earnings per share				
	14			
Based on operating profit from continuing operations after tax		4.98	3.00	8.12
Based on profit attributable to equity holders		3.61	3.69	12.72

This financial information was approved by the Board on 27 July 2005.

The results for the six months to 30 June 2005 and 30 June 2004 are unaudited, but have been subject to a review by the 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 restated financial information from Achieved Profits (AP) to European Embedded Value (EEV) for the year ended 31 December 2004 published on 24 May 2005. The published 31 December 2004 supplementary financial information includes an independent auditors' report which is unqualified. The original results for the year ended 2004 published on 24 February 2005 have been filed with the Registrar of Companies and include an independent auditors' report which is unqualified and does not contain a statement under either Sections 237(2) or 237(3) of the Companies Act 1985.

These figures have been prepared for covered business using the EEV basis. The International Financial Reporting Standards (IFRS) results are included in Part 3.

Consolidated Balance Sheet - European Embedded Value Basis

Six months ended 30 June 2005

	Notes	At 30.6.05 £m	At 30.6.04 Restated £m	At 31.12.04 Restated £m
<i>Assets</i>				
Investments	9	163,963	130,731	147,761
Long term in-force business asset	15	2,404	2,324	2,535
Other assets		6,080	6,306	5,088
Non-current assets held for sale		-	649	733
		172,447	140,010	156,117
<i>Equity and liabilities</i>				
Shareholders' equity	17	6,173	5,691	6,182
Minority interests		215	167	214
Subordinated borrowings	16	801	394	394
Unallocated divisible surplus		1,938	1,396	1,559
Participating contract liabilities		19,152	18,056	18,817
Non-participating contract liabilities		138,687	109,523	124,193
Senior borrowings	16	1,573	1,608	1,452
Other creditors and provisions		3,908	2,612	2,672
Non-current liabilities held for sale		-	563	634
		172,447	140,010	156,117

New business

Six months ended 30 June 2005

New Annual Premium Equivalent

	30.6.05 £m	30.6.04 £m	Full year 2004 £m
<i>Life and pensions business</i>			
Life	213	197	400
Pensions	213	142	322
	<hr/>	<hr/>	<hr/>
UK	426	339	722
	<hr/>	<hr/>	<hr/>
USA	19	27	51
Netherlands	14	12	25
France	23	17	29
	<hr/>	<hr/>	<hr/>
	56	56	105
	<hr/>	<hr/>	<hr/>
Life and pensions total	482	395	827
<i>Retail investment business</i>			
UK	169	115	179
France	1	1	2
	<hr/>	<hr/>	<hr/>
Total new business	652	511	1,008

International life and pensions new business expressed at 30 June 2005 average exchange rates

USA	26	50
Netherlands	12	25
France	17	29
	<hr/>	<hr/>
	55	104

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

	30.6.05 £m	30.6.04 £m	Full year 2004 £m
<i>Institutional fund management</i>			
Managed pension funds *			
- Pooled funds	6,710	7,610	13,951
- Segregated funds	105	1,063	1,228
	<hr/>	<hr/>	<hr/>
	6,815	8,673	15,179
Other funds	60	70	368
	<hr/>	<hr/>	<hr/>
	6,875	8,743	15,547

* New monies from pension fund clients of Legal & General Assurance (Pensions Management) Ltd. excludes £1.8bn (1H04: £2.2bn; FY04: £5.0bn) which was held through the year on a temporary basis, generally as part of a portfolio reconstruction.

New business

Six months ended 30 June 2005

	6 months 30.6.05 £m	3 months 30.6.05 £m	3 months 31.3.05 £m	6 months 30.6.04 £m	3 months 30.6.04 £m	3 months 31.3.04 £m
UK annual premiums						
<i>Life and pensions business</i>						
Life						
- Mortgage-related	43	23	20	53	28	25
- Protection	24	12	12	25	13	12
- Group risk	42	20	22	37	24	13
Pensions						
- Individual pensions	83	46	37	61	33	28
- Group pensions	2	1	1	2	1	1
	194	102	92	178	99	79
<i>Retail investment business</i>						
ISAs	9	6	3	13	7	6
Unit trusts	1	1	0	1	0	1
Total	204	109	95	192	106	86
UK single premiums						
<i>Life and pensions business</i>						
Bonds						
- With-profits	102	45	57	224	101	123
- Unit linked	940	506	434	596	335	261
Pensions						
- Individual pensions	460	248	212	179	92	87
- Annuities - individual	481	298	183	366	184	182
- Annuities - bulk purchase	329	65	264	230	139	91
- Other group business	4	3	1	2	1	1
- DWP rebates	7	2	5	17	13	4
	2,323	1,167	1,156	1,614	865	749
<i>Retail investment business</i>						
ISAs	289	205	84	389	267	122
Unit trusts	1,304	670	634	621	420	201
Total	3,916	2,042	1,874	2,624	1,552	1,072
UK APE						
Individual life and pensions	349	191	158	277	146	131
Retail investments	169	94	75	115	76	39
<i>by channel</i>						
- Independent financial advisers	317	180	137	234	133	101
- Single tie	182	95	87	135	77	58
- Direct	19	10	9	23	12	11
Total UK individual	518	285	233	392	222	170
Group	77	27	50	62	39	23
Total	595	312	283	454	261	193

New business

Six months ended 30 June 2005

	6 months 30.6.05 £m	3 months 30.6.05 £m	3 months 31.3.05 £m	6 months 30.6.04 £m	3 months 30.6.04 £m	3 months 31.3.04 £m
International annual premiums						
<i>Life and pensions business</i>						
USA	19	9	10	27	15	12
Netherlands	6	2	4	6	3	3
France	14	13	1	10	10	0
Total	39	24	15	43	28	15
International single premiums						
<i>Life and pensions business</i>						
USA	0	0	0	0	0	0
Netherlands	78	32	46	64	24	40
France	91	44	47	68	38	30
	169	76	93	132	62	70
<i>Retail investment business</i>						
France	10	5	5	8	5	3
Total	179	81	98	140	67	73

New business

Six months ended 30 June 2005

Present value of new business premiums (PVNBP)

	Single premiums £m	Annual premiums £m	Capitalisation factor	PVNBP £m	New business margin %
Six months ended 30.6.05					
UK	2,323	194	4.2	3,141	4.1
International	169	39	7.6	464	2.4
	<u>2,492</u>	<u>233</u>		<u>3,605</u>	<u>3.9</u>
Six months ended 30.6.04					
UK	1,614	178	4.3	2,388	5.0
International	132	43	5.8	382	2.6
	<u>1,746</u>	<u>221</u>		<u>2,770</u>	<u>4.7</u>
Full year ended 31.12.04					
UK	3,740	348	4.3	5,255	4.6
International	272	77	6.9	802	4.4
	<u>4,012</u>	<u>425</u>		<u>6,057</u>	<u>4.6</u>

The PVNBP on the EEV basis is defined as the present value of regular premiums plus single premiums for any given year. It is calculated using the same assumptions as for the new business contribution but determined as at the point of sale.

The capitalisation factor represents the PVNBP minus single premiums divided by the annualised amount of new regular premiums.

The new business margin is defined as the contribution from new business divided by the PVNBP.

Notes to Financial Information - European Embedded Value Basis

Six months ended 30 June 2005

1. Profit from continuing operations after tax from covered business

	UK £m	International £m	Life and pensions Total £m	Managed pension funds * £m	Total £m
Six months ended 30.6.05					
Contribution from:					
New business after cost of capital	129	11	140	21	161
In-force business					
- expected return	145	29	174	10	184
- experience variances	11	0	11	12	23
- operating assumption changes	(4)	(3)	(7)	13	6
Development costs	(5)	-	(5)	0	(5)
Shareholder net worth	64	8	72	3	75
Operating profit	340	45	385	59	444
Variation from longer term investment return	135	10	145	11	156
Effect of economic assumption changes	21	(11)	10	1	11
Profit from continuing operations before tax	496	44	540	71	611
Tax	(131)	(15)	(146)	(21)	(167)
Effect of UK tax changes	(276)	-	(276)	-	(276)
Profit from continuing operations after tax	89	29	118	50	168
Six months ended 30.6.04 (Restated)					
Contribution from:					
New business after cost of capital	120	10	130	17	147
In-force business					
- expected return	138	24	162	9	171
- experience variances	43	(9)	34	8	42
- operating assumption changes**	(219)	(1)	(220)	8	(212)
Development costs	-	-	-	0	0
Shareholder net worth	71	7	78	3	81
Operating profit	153	31	184	45	229
Variation from longer term investment return	111	(5)	106	0	106
Effect of economic assumption changes	(6)	0	(6)	(1)	(7)
Profit from continuing operations before tax	258	26	284	44	328
Tax	(70)	(9)	(79)	(13)	(92)
Profit from continuing operations after tax	188	17	205	31	236

* Included in the Institutional fund management result of £66m (1H04: £51m; FY04: £104m).

** The largest impact on UK life and pensions business in 2004 was from the strengthening of assumptions for annuitant longevity.

Notes to Financial Information - European Embedded Value Basis

Six months ended 30 June 2005

1. Profit from continuing operations after tax from covered business (continued)

	UK £m	International £m	Life and pensions Total £m	Managed pension funds * £m	Total £m
Full year ended 31.12.04 (Restated)					
Contribution from:					
New business after cost of capital	241	35	276	36	312
In-force business					
- expected return	273	49	322	18	340
- experience variances	46	17	63	15	78
- operating assumption changes**	(221)	1	(220)	18	(202)
Development costs	-	-	-	(1)	(1)
Shareholder net worth	135	11	146	6	152
Operating profit	474	113	587	92	679
Variation from longer term investment return	363	3	366	11	377
Effect of economic assumption changes	15	19	34	0	34
Profit from continuing operations before tax	852	135	987	103	1,090
Tax	(238)	(46)	(284)	(31)	(315)
Profit from continuing operations after tax	614	89	703	72	775

* Included in the Institutional fund management result of £66m (1H04: £51m; FY04: £104m).

** The largest impact on UK life and pensions business in 2004 was from the strengthening of assumptions for annuitant longevity.

2. Life and pensions operating profit

	30.6.05 £m	30.6.04 Restated £m	Full year 2004 Restated £m
UK	340	153	474
USA	19	11	72
Netherlands	16	14	30
France	10	6	11
	385	184	587

There are no significant differences in the prior period reported numbers if the international life and pensions operating profits were expressed at 30 June 2005 average exchange rates.

Notes to Financial Information - European Embedded Value Basis

Six months ended 30 June 2005

3. General insurance gross premiums and operating profit

	30.6.05	30.6.05	30.6.04	30.6.04	Full year 2004	Full year 2004
	Premiums written £m	Operating profit £m	Restated Premiums written £m	Restated Operating profit £m	Restated Premiums written £m	Restated Operating profit £m
<i>Continuing operations</i>						
Household	115	2	107	11	222	22
Other	55	2	51	6	103	10
	170	4	158	17	325	32

4. Other operational income

	30.6.05	30.6.04	Full year 2004
	£m	Restated £m	Restated £m
Shareholders' other income			
Investment return on shareholders' equity	55	55	109
Interest expense	(42)	(34)	(74)
	13	21	35
Retail investments	4	(1)	4
Other operations	(3)	1	(4)
Unallocated corporate and development expenses	(4)	(8)	(13)
	10	13	22

5. Exchange rates

Period end exchange rates	30.6.05	30.6.04	31.12.04
United States Dollar	1.79	1.81	1.92
Euro	1.48	1.49	1.41
Average exchange rates	1.1.05 - 30.6.05	1.1.04 - 30.6.04	1.7.04 - 31.12.04
United States Dollar	1.87	1.82	1.84
Euro	1.46	1.48	1.46

Notes to Financial Information - European Embedded Value Basis

Six months ended 30 June 2005

6. General insurance and shareholders' investment return

	30.6.05	30.6.04 Restated	Full year 2004 Restated
	£m	£m	£m
Investment income	61	50	106
Interest expense and charges	(43)	(34)	(76)
Realised investment gains	8	8	8
Unrealised investment gains/(losses)	51	(15)	64
	77	9	102
reported within:			
Institutional fund management	4	4	8
General insurance	10	10	22
Other operational income	13	21	35
Variation from longer term investment return	50	(26)	37
	77	9	102

Shareholders' other income, reported within other operational income, has been determined based on a longer term rate of investment return with the difference between this and the actual return being reported as variation from longer term investment return.

7. Variation from longer term investment return

	30.6.05	30.6.04 Restated	Full year 2004 Restated
	£m	£m	£m
Total covered business	156	106	377
Institutional fund management	0	(2)	0
General insurance	(2)	(6)	(3)
Other operational income	52	(18)	40
	50	(26)	37
	206	80	414

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

Notes to Financial Information - European Embedded Value Basis

Six months ended 30 June 2005

8. Minority interests

In 2005 minority interests represent third party interests in property investment vehicles which are consolidated in the Group's results. The 2004 minority interests also include interests in venture capital subsidiaries.

9. Investments

	At 30.6.05	At 30.6.04 Restated	At 31.12.04 Restated
	£m	£m	£m
Investment property	5,322	5,349	4,903
Equities	85,109	69,916	78,322
Unit trusts	2,117	1,015	1,875
Debt securities	65,855	50,933	58,604
Accrued interest	817	692	753
Derivative assets	60	38	23
Loans and receivables	273	347	289
Cash and cash equivalents	4,410	2,441	2,992
	163,963	130,731	147,761

10. Time value of options and guarantees

	30.6.05	30.6.04	Full year 2004
	£m	£m	£m
Life and pensions:			
UK with-profits	4	7	8
UK non profit	25	24	24
International	8	8	8
	37	39	40

11. Pension costs

The Legal & General Group UK Pension and Assurance Fund and the Legal & General Group UK Senior Pension Scheme are defined benefit pension arrangements and account for all UK and the majority of worldwide assets and contributions to such schemes. At 30 June 2005 the combined after tax deficit of these arrangements has been estimated at £132m (1H04: £68m; FY04: £109m). These amounts have been recognised in the financial information with £78m charged against shareholder equity (1H04: £40m; FY04: £65m) and £54m against the unallocated divisible surplus (1H04: £28m; FY04: £44m).

Notes to Financial Information - European Embedded Value Basis

Six months ended 30 June 2005

12. Analysis of tax

	30.6.05	30.6.05	30.6.04	30.6.04	Full year 2004	Full year 2004
	Profit before tax	Tax (charge)/ credit	Restated Profit before tax	Restated Tax (charge)/ credit	Restated Profit before tax	Restated Tax (charge)/ credit
	£m	£m	£m	£m	£m	£m
<i>Profit from continuing operations</i>						
UK life and pensions	340	(98)	153	(41)	474	(134)
International life and pensions	45	(15)	31	(11)	113	(38)
	385	(113)	184	(52)	587	(172)
Institutional fund management	66	(20)	51	(15)	104	(32)
General insurance	4	(1)	17	(5)	32	(9)
Other operational income	10	(1)	13	2	22	4
Operating profit	465	(135)	265	(70)	745	(209)
Variation from longer term investment return	206	(43)	80	(32)	414	(129)
Effect of economic assumption changes	11	(4)	(7)	2	34	(11)
Property income attributable to minorities	11	-	8	-	32	-
Profit from continuing operations before tax / Tax	693	(182)	346	(100)	1,225	(349)

13. Effect of UK tax changes

This tax charge represents a one-off reduction in the embedded value arising from changes in tax law. The Finance (No. 2) Act 2005, enacted on 20 July 2005, includes provisions which change the way in which investment return is apportioned between categories of business for the purposes of computing taxable profits earned from writing pensions business. These changes will result in significantly larger taxable pensions business profits in the non profit part of the fund from 2005 onwards.

Notes to Financial Information - European Embedded Value Basis

Six months ended 30 June 2005

14. Earnings per share (EPS)

	Profit/ (loss) £m	Earnings per share p	Weighted average number of shares m
Six months ended 30.6.05			
Operating profit from continuing operations after tax	330	5.10	6,477
Variation from longer term investment return	163	2.52	
Effect of economic assumption changes	7	0.11	
Profit from discontinued operations	13	0.20	
Effect of UK tax changes	(276)	(4.26)	
	237	3.67	6,477
Net shares under options allocable for no further consideration	-	(0.02)	35
Convertible bonds outstanding	8	(0.04)	285
	245	3.61	6,797
Six months ended 30.6.04 (Restated)			
Operating profit from continuing operations after tax	195	3.01	6,478
Variation from longer term investment return	48	0.74	
Effect of economic assumption changes	(5)	(0.08)	
Profit from discontinued operations	2	0.03	
	240	3.70	6,478
Net shares under options allocable for no further consideration	-	(0.01)	24
Convertible bonds outstanding *	12	-	285
	252	3.69	6,787
Full year ended 31.12.04 (Restated)			
Operating profit from continuing operations after tax	536	8.27	6,479
Variation from longer term investment return	285	4.40	
Effect of economic assumption changes	23	0.35	
Profit from discontinued operations	5	0.08	
	849	13.10	6,479
Net shares under options allocable for no further consideration	-	(0.06)	33
Convertible bonds outstanding	16	(0.32)	285
	865	12.72	6,797

* The shares associated with the convertible bond were antidilutive as they would have increased the net earnings per share and were therefore ignored, along with their associated revenue impact, when calculating the diluted earnings per share.

Notes to Financial Information - European Embedded Value Basis

Six months ended 30 June 2005

15. Embedded value

	Value of in-force £m	Shareholder net worth £m	UK Life and pensions £m	International Life and pensions £m	Life and pensions total £m	Managed pension funds £m	Total £m
Six months ended 30.6.05							
At 1 January							
Value of in-force business *	2,885	-	2,885	431	3,316	191	3,507
Shareholder net worth **	-	1,560	1,560	276	1,836	162	1,998
	<u>2,885</u>	<u>1,560</u>	<u>4,445</u>	<u>707</u>	<u>5,152</u>	<u>353</u>	<u>5,505</u>
Exchange rate movements	-	-	-	25	25	-	25
	<u>2,885</u>	<u>1,560</u>	<u>4,445</u>	<u>732</u>	<u>5,177</u>	<u>353</u>	<u>5,530</u>
Profit for the period	138	(49)	89	29	118	50	168
Capital movements	-	-	-	5	5	0	5
Distributions	(23)	(105)	(128)	0	(128)	-	(128)
Movement in pension deficit	-	(7)	(7)	-	(7)	-	(7)
Inter-fund transfer	(65)	65	-	-	-	-	-
	<u>2,935</u>	<u>1,464</u>	<u>4,399</u>	<u>766</u>	<u>5,165</u>	<u>403</u>	<u>5,568</u>
Represented by:							
Value of in-force business *	2,935	-	2,935	476	3,411	215	3,626
Shareholder net worth **	-	1,464	1,464	290	1,754	188	1,942
At end of period	<u>2,935</u>	<u>1,464</u>	<u>4,399</u>	<u>766</u>	<u>5,165</u>	<u>403</u>	<u>5,568</u>
Six months ended 30.6.04 (Restated)							
At 1 January							
Value of in-force business *	2,552	-	2,552	377	2,929	158	3,087
Shareholder net worth **	-	1,569	1,569	245	1,814	143	1,957
	<u>2,552</u>	<u>1,569</u>	<u>4,121</u>	<u>622</u>	<u>4,743</u>	<u>301</u>	<u>5,044</u>
Exchange rate movements	-	-	-	(13)	(13)	-	(13)
	<u>2,552</u>	<u>1,569</u>	<u>4,121</u>	<u>609</u>	<u>4,730</u>	<u>301</u>	<u>5,031</u>
Profit for the period	124	64	188	17	205	31	236
Capital movements	-	-	-	1	1	-	1
Distributions	(22)	(102)	(124)	0	(124)	-	(124)
Movement in pension deficit	-	0	0	-	0	-	0
Inter-fund transfer	80	(80)	-	-	-	-	-
	<u>2,734</u>	<u>1,451</u>	<u>4,185</u>	<u>627</u>	<u>4,812</u>	<u>332</u>	<u>5,144</u>
Represented by:							
Value of in-force business *	2,734	-	2,734	420	3,154	171	3,325
Shareholder net worth **	-	1,451	1,451	207	1,658	161	1,819
At end of period	<u>2,734</u>	<u>1,451</u>	<u>4,185</u>	<u>627</u>	<u>4,812</u>	<u>332</u>	<u>5,144</u>

* See Page 15

** See Page 15

Notes to Financial Information - European Embedded Value Basis

Six months ended 30 June 2005

15. Embedded value (continued)

	Value of in-force £m	Shareholder net worth £m	UK Life and pensions £m	International Life and pensions £m	Life and pensions total £m	Managed pension funds £m	Total £m
Full year ended 31.12.04 (Restated)							
At 1 January							
Value of in-force business *	2,552	-	2,552	377	2,929	158	3,087
Shareholder net worth **	-	1,569	1,569	245	1,814	143	1,957
	2,552	1,569	4,121	622	4,743	301	5,044
Exchange rate movements	-	-	-	(28)	(28)	-	(28)
	2,552	1,569	4,121	594	4,715	301	5,016
Profit for the period	423	191	614	89	703	72	775
Capital movements	-	-	-	25	25	-	25
Distributions	(47)	(227)	(274)	(1)	(275)	(20)	(295)
Movement in pension deficit	-	(16)	(16)	-	(16)	-	(16)
Inter-fund transfer	(43)	43	-	-	-	-	-
	2,885	1,560	4,445	707	5,152	353	5,505
Represented by:							
Value of in-force business *	2,885	-	2,885	431	3,316	191	3,507
Shareholder net worth **	-	1,560	1,560	276	1,836	162	1,998
At end of period	2,885	1,560	4,445	707	5,152	353	5,505

For the UK life and pensions business, shareholder net worth comprises the shareholder retained capital (SRC) and the sub fund both net of an appropriate allowance for tax. The principal adjustments to the SRC for EEV purposes are the removal of deferred acquisition costs, deferred income liabilities and deferred tax and the addition of sterling reserves. It also includes intra-group subordinated debt capital at its face value of £602m.

* Value of in-force business reflects the cost of holding capital of:

	UK Life and pensions £m	International Life and pensions £m	Life and pensions total £m	Managed pension funds £m	Total £m
Six months ended 30.6.05	5	50	55	2	57
Six months ended 30.6.04 (Restated)	7	47	54	2	56
Full year ended 31.12.04 (Restated)	8	48	56	2	58

** Shareholder net worth comprises both required capital and free surplus. Free surplus was as follows:

	UK Life and pensions £m	International Life and pensions £m	Life and pensions total £m	Managed pension funds £m	Total £m
Six months ended 30.6.05	0	174	174	170	344
Six months ended 30.6.04 (Restated)	0	95	95	143	238
Full year ended 31.12.04 (Restated)	0	166	166	144	310

Notes to Financial Information - European Embedded Value Basis

Six months ended 30 June 2005

15. Embedded value (continued)

Reconciliations

	UK Life and pensions At 30.6.05	Total At 30.6.05	UK Life and pensions At 30.6.04 Restated	Total At 30.6.04 Restated	UK Life and pensions At 31.12.04 Restated	Total At 31.12.04 Restated
	£m	£m	£m	£m	£m	£m
Shareholder net worth (SNW)						
SNW of long term operations (IFRS basis)	2,301	3,188	2,112	2,851	2,196	2,994
Other assets (IFRS basis)	-	605	-	547	-	677
Shareholders' equity on the IFRS basis	2,301	3,793	2,112	3,398	2,196	3,671
Purchased interests in long term business	(11)	(24)	(15)	(31)	(13)	(24)
Sub-fund	258	258	227	227	245	245
Deferred acquisition costs / income liabilities	(228)	(780)	(267)	(746)	(242)	(731)
Deferred tax *	(698)	(546)	(441)	(333)	(480)	(358)
Other **	(158)	(154)	(165)	(149)	(146)	(128)
Shareholder net worth on the EEV basis	1,464	2,547	1,451	2,366	1,560	2,675
Represented by:						
SNW of long term operations (EEV basis)	1,464	1,942	1,451	1,819	1,560	1,998
Other assets (IFRS basis)	-	605	-	547	-	677
	1,464	2,547	1,451	2,366	1,560	2,675
Long term in-force business asset		2,404		2,324		2,535
Sub-fund		(258)		(227)		(245)
Deferred acquisition costs / income liabilities		780		746		731
Deferred tax *		546		333		358
Other **		154		149		128
Value of in-force business		3,626		3,325		3,507
Shareholders' equity						
Shareholders' equity on the IFRS basis		3,793		3,398		3,671
Purchased interests in long term business		(24)		(31)		(24)
Long term in-force business asset		2,404		2,324		2,535
Shareholders' equity on the EEV basis		6,173		5,691		6,182

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

** Other relates primarily to the different treatment of sterling reserves and other long term reserves under EEV compared with IFRS.

Notes to Financial Information - European Embedded Value Basis

Six months ended 30 June 2005

16. Borrowings

	At 30.6.05	At 30.6.04 Restated	At 31.12.04 Restated
	£m	£m	£m
Subordinated borrowings			
Undated subordinated notes (upper tier 2)	395	394	394
Dated subordinated notes 2025 (lower tier 2)	406	-	-
Total subordinated borrowings	801	394	394
Senior borrowings			
2.75% Convertible bond 2006	501	486	493
Medium term notes 2031-2041	597	597	597
Euro commercial paper 2005	71	-	-
Bank loans 2005	4	2	2
Accrued interest	12	11	17
Non-recourse financing			
- Triple X 2025	295	-	275
- Property partnership loans 2011	93	512	68
Total senior borrowings	1,573	1,608	1,452
Total borrowings	2,374	2,002	1,846
Total borrowings (excluding non-recourse financing)	1,986	1,490	1,503

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

In June 2005 the Group issued €600m of dated subordinated debt which was swapped into sterling and the proceeds of which are intended to be used to repay part of the convertible bond which matures in 2006.

In November 2004 a subsidiary of Legal & General America issued US\$550m of non-recourse debt in the US domestic capital markets to meet the Regulation Triple X reserve requirements on the US term insurance business.

The property partnership borrowings relate to loans secured on specific properties. The decrease in these loans since 30 June 2004 is due to the conversion of certain property partnership interests into unit trusts which the Group does not control. Consequently there is no longer a requirement to consolidate these borrowings in the Group's results.

Notes to Financial Information - European Embedded Value Basis

Six months ended 30 June 2005

17. Shareholders' equity segmental analysis

	At 30.6.05	At 30.6.04 Restated	At 31.12.04 Restated
	£m	£m	£m
UK*	4,399	4,185	4,445
Society shareholder capital**	2,049	1,877	1,973
Society shareholders' equity on an EEV basis	6,448	6,062	6,418
Embedded value of international life and pensions business			
- USA	543	444	489
- Netherlands	138	112	139
- France	85	71	79
Institutional fund management***	445	367	390
General insurance	161	227	247
Corporate funds****	(1,647)	(1,592)	(1,580)
	6,173	5,691	6,182
<i>Movement</i>			
At 1 January	6,182	5,680	5,680
Total recognised income and expense for the year	217	221	809
Dividends	(224)	(216)	(321)
Employee share schemes costs	7	4	9
Increase in share capital/share premium	0	0	1
Net (purchase)/allocation of treasury shares	(9)	2	4
At end of period	6,173	5,691	6,182

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

** Represents surplus capital held outside the UK long term fund, including the rights issue proceeds.

*** Includes £403m (1H04: £332m; FY04: £353m) net assets of managed pension funds business.

**** Includes the convertible debt of £501m (1H04: £486m; FY04: £493m) and £602m of senior debt which has been on lent to the UK long term fund.

Notes to Financial Information - European Embedded Value Basis

Six months ended 30 June 2005

18. Sensitivities

The discount rate appropriate to any investor will depend on the investor's own requirements, tax and perception of the risks associated with the anticipated cash flows to shareholders. The table below shows the effect of alternative economic and non-economic assumptions on the long term embedded value and new business contribution.

Effect on embedded value at 30 June 2005

Sensitivity to economic assumptions:

	As published	1% lower risk discount rate	1% higher risk discount rate	1% higher equities/property yields	1% lower equities/property yields	10% lower equities/property values
	£m	£m	£m	£m	£m	£m
Life and pensions						
- UK	4,399	305	(265)	228	(227)	(293)
- International	766	60	(53)	7	(6)	(14)
Total life and pensions	5,165	365	(318)	235	(233)	(307)
Managed pension funds	403	9	(9)	5	(5)	(12)
Total covered business	5,568	374	(327)	240	(238)	(319)

Sensitivity to non-economic assumptions:

	As published	10% increase in maintenance expenses	10% increase in lapse rates	10% increase in mortality (UK annuities)	10% increase in mortality (other business)
	£m	£m	£m	£m	£m
Life and pensions					
- UK	4,399	(31)	(41)	193	(56)
- International	766	(6)	(28)	n/a	(110)
Total life and pensions	5,165	(37)	(69)	193	(166)
Managed pension funds	403	(13)	(10)	n/a	n/a
Total covered business	5,568	(50)	(79)	193	(166)

Effect on new business contribution for the period

Sensitivity to economic assumptions:

	As published	1% lower risk discount rate	1% higher risk discount rate	1% higher equities/property yields	1% lower equities/property yields	10% lower equities/property values
	£m	£m	£m	£m	£m	£m
Life and pensions						
- UK	129	29	(25)	16	(16)	n/a
- International	11	11	(10)	0	0	0
Total life and pensions	140	40	(35)	16	(16)	0
Managed pension funds	21	1	(1)	1	(1)	n/a
Total covered business	161	41	(36)	17	(17)	0

Sensitivity to non-economic assumptions:

	As published	10% increase in maintenance expenses	10% increase in lapse rates	10% increase in mortality (UK annuities)	10% increase in mortality (other business)
	£m	£m	£m	£m	£m
Life and pensions					
- UK	129	(6)	(10)	8	(13)
- International	11	(1)	(3)	n/a	(14)
Total life and pensions	140	(7)	(13)	8	(27)
Managed pension funds	21	(1)	(1)	n/a	n/a
Total covered business	161	(8)	(14)	8	(27)

In calculating the alternative values all other assumptions are left unchanged.

The sensitivities to 10% decreases in non-economic assumptions were disclosed in our announcement on 24 May. These sensitivities are estimated to be of similar relative magnitude and direction as at 30 June 2005.

Assumptions – European Embedded Value Basis

Six months ended 30 June 2005

19. Assumptions

UK life and pensions

- i. The assumed future pre-tax returns on fixed interest and RPI linked securities are set by reference to redemption yields available in the market at the end of the reporting period. The corresponding return on equities and property is equal to the fixed interest gilt assumption plus the appropriate risk premium. An asset mix consistent with the current investment policy and future management intentions has been assumed within the projections. The economic assumptions were:

	30.6.05	30.6.04	31.12.04	31.12.03
	% p.a.	% p.a.	% p.a.	% p.a.
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	4.2	5.0	4.5	4.7
- RPI linked	4.2	5.0	4.5	4.6
- Non Gilts:				
- Fixed interest	4.5 - 5.0	5.4 - 5.8	4.9 - 5.3	5.1 - 5.5
- RPI linked	4.3 - 4.8	5.2 - 5.6	4.7 - 5.1	5.1 - 5.4
- Equities	7.2	8.0	7.5	7.7
- Property	6.2	7.0	6.5	6.7
Risk margin	3.0	3.0	3.0	3.0
Risk discount rate (net of tax)	7.2	8.0	7.5	7.7
Inflation				
- Expenses/earnings	3.6	4.0	3.8	3.8
- Indexation	2.6	3.0	2.8	2.8

The assumed returns on non-gilt securities are net of an allowance for default risk of 0.2% p.a. (2004: 0.2% p.a.), other than for certain government-supported securities where no such allowance is made.

- ii. Assets are valued at market value. For the projection of fixed interest and RPI linked investment returns, asset values are adjusted to reflect the assumed interest and inflation rates.
- iii. The value of the Sub-Fund is the discounted value of total projected investment returns over its lifetime.
- iv. Future bonus rates have been set at levels which would fully utilise the assets supporting the policyholders' portion of the with-profits business. The proportion of profits derived from with-profits business allocated to shareholders has been assumed to be 10% throughout.
- v. The value of in-force business reflects the cost of providing for benefit enhancement or compensation in relation to certain products including administration expenses.

Assumptions – European Embedded Value Basis

Six months ended 30 June 2005

- vi. Other actuarial assumptions have been set at levels commensurate with recent operating experience, including those for mortality, morbidity, persistency and maintenance expenses (excluding the development costs referred to below). These are reviewed annually. An allowance is made for future improvements in annuitant mortality based on experience and externally published data. Male annuitant mortality is assumed to improve in accordance with CMI Working Paper 1, projection MC for experience and the average of projections MC and LC for statutory reserving. Female annuitant mortality is assumed to improve in accordance with the MC projection from CMI Working Paper 1 for statutory reserving and at 70% of this rate for experience.
- vii. The subordinated debt capital has been included in the embedded value at the face value of £602m.
- viii. Development costs relate to strategic systems.
- ix. Projected tax has been determined assuming current tax legislation and rates.
- x. EEV results are computed on an after tax basis and are grossed up to the pre-tax level for presentation in the profit and loss account. The tax rate used for grossing-up is the corporation tax rate of 30% (2004: 30%), except for the profit attributable to shareholder net worth, where the rate used is derived from the tax attributed to the contribution from shareholder net worth in the IFRS accounts. To arrive at operating profit, the contribution from shareholder net worth is grossed up at a rate to reflect the tax associated with a longer term investment return.

UK managed pension funds

- xi. The UK life and pensions economic assumptions are used. All contracts are assumed to lapse after 10 years. Fees are projected on a basis, which reflects current charges or, if less, anticipated charges. New business consists of monies received from new clients and incremental receipts from existing clients, and excludes the roll-up of the investment returns. Development costs relate to strategic systems.

International

- xii. Key assumptions are:

	30.06.05	30.06.04	31.12.04	31.12.03
	% p.a.	% p.a.	% p.a.	% p.a.
USA				
Reinvestment rate	4.7	5.3	4.9	4.8
Risk margin	3.0	3.0	3.0	3.0
Risk discount rate (net of tax)	7.0	7.7	7.3	7.3
Europe				
Government bond return	3.3	4.5	3.8	4.5
Risk margin	3.0	3.0	3.0	3.0
Risk discount rate (net of tax)	6.3	7.5	6.8	7.5

Stochastic calculations

- xiii. The time value of options and guarantees is calculated using consistent economic and non-economic assumptions to those used for the deterministic embedded value calculations.

Assumptions – European Embedded Value Basis

Six months ended 30 June 2005

This section describes the models used to generate future investment simulations, and gives some sample statistics for the simulations used. A single model has been used for UK and international business, with different economic assumptions for the various economies.

Model

Government nominal interest rates are generated using a LIBOR Money Market Model projecting full yield curves at annual intervals. The model provides a good fit to the initial yield curve.

The total annual returns on equities and property are calculated as the return on 1 year bonds plus an excess return. The excess return is assumed to have a lognormal distribution. Corporate bonds are modelled separately by credit rating using stochastic credit spreads over the risk-free rates, transition matrices and default recovery rates. The real yield curve model assumes that the real short rate follows a mean reverting process subject to two normally distributed random shocks.

Asset Classes

The significant asset classes are for:

- UK with-profits business – equities, property and fixed rate bonds of various durations;
- UK annuity business – fixed rate and index-linked bonds of various durations; and
- International business – fixed rate bonds of various durations.

Summary Statistics

The following tables set out means and standard deviations (StDev) of future returns as at 30 June 2005 for the most significant asset classes. Correlations between asset classes have been set based on an internal assessment of historical data.

	10-year return		20-year return	
	Mean ¹	StDev ²	Mean ¹	StDev ²
UK Business (Sterling)				
Government bonds	4.4%	5.0%	4.6%	4.2%
Corporate bonds	5.0%	3.4%	5.3%	3.9%
Property (excess returns)	2.1%	15.4%	2.0%	15.1%
Equities (excess returns)	3.1%	20.1%	3.0%	19.6%
European Business (Euro)				
Long Government bonds ³	3.4%	4.9%	4.9%	5.1%
Short Government bonds ⁴	3.4%	3.3%	4.2%	7.1%
US Business (US Dollar)				
Long Government bonds ³	4.1%	4.8%	4.7%	5.1%

1. Other than for equities and property, means calculated as excess of 1 year bond asset return means plus 1 year bond means. Mean equities and property excess returns calculated as excess of 1 year bond asset return means. Each mean is derived by calculating the accumulated value of a unit asset invested to time n years for each simulation, averaging the resultant values across all simulations, then calculating the equivalent annual return required to give this average accumulation (by taking the nth root of the average accumulation and deducting 1).
2. Standard deviations are calculated by accumulating a unit investment for n years in each simulation, taking the natural logarithm of the result, calculating the variance of this statistic, dividing by n and taking the square root. Equities and property values use excess returns. The results are comparable to implied volatilities quoted in investment markets.
3. Long-term bonds are defined to be 10-year par-coupon bonds.
4. Short-term bonds defined to be 1 year duration.

Assumptions – European Embedded Value Basis

Six months ended 30 June 2005

Risk discount rate

The risk discount rate is scenario-dependent within the stochastic projection. It is calculated by applying the deterministic risk margin to the risk-free rate in each stochastic projection.

Sensitivity calculations

- xiv. A number of sensitivities have been produced on alternative assumption sets to reflect the sensitivity of the embedded value and the new business contribution to changes in key assumptions. Relevant details relating to each sensitivity are:
- 1% variation in discount rate - a one percentage point increase/decrease in the risk margin has been assumed in each case (for example a 1% increase in the risk margin at end 2004 would result in a 4% risk margin).
 - 1% variation in equity/property yields - a one percentage point increase/decrease in the equity/property assumed investment returns, excluding any consequential changes for example to risk discount rates or valuation bases, has been assumed in each case (meaning for example a 1% increase in equity returns would increase assumed total equity returns from 7.2% to 8.2%).
 - 10% reduction in equity/property market values - an immediate 10% reduction in equity and property asset values (embedded value sensitivity only).
 - 10% increase in maintenance expenses, excluding any consequential changes for example to valuation expense bases or potentially reviewable policy fees (meaning a 10% increase on a base assumption of £10 per annum would result in an £11 per annum expense assumption)
 - 10% increase in assumed persistency experience rates, incorporating a 10% increase in lapse, surrender and premium cessation assumptions (meaning a 10% increase on a base assumption of 7% would result in a 7.7% lapse assumption).
 - 10% increase in both mortality and morbidity rates, excluding any consequential changes for example to valuation bases or potentially reviewable risk charging bases (meaning for example if base experienced mortality is 90% of a standard mortality table then for this sensitivity the assumption is set to 99% of the standard table).

The sensitivities for UK life and pensions allow for any material changes to the cost of financial options and guarantees but, as indicated above, do not allow for any changes to reserving bases or capital requirements within the sensitivity calculation. The sensitivities in our International businesses do not allow for changes to financial options and guarantees.

Methodology – European Embedded Value Basis

Six months ended 30 June 2005

20. Methodology

Basis of Preparation

The purpose of this section is to set out the detailed methodology for producing the Group's supplementary financial statements. The statements have been prepared in accordance with the European Embedded Value (EEV) Principles issued in May 2004 by the European CFO Forum.

Covered Business

The Group uses EEV methodology to value Individual and Group life assurance, pensions and annuity business written in the UK, Continental Europe and the US and our UK managed pension funds business.

All other business units are accounted for on the IFRS basis adopted in the primary financial information.

Under EEV, there is no distinction made between insurance and investment contracts in our life and pensions businesses as there is under IFRS.

Description of Methodology

The objective of EEV is to provide shareholders with more realistic information on the financial position and current performance of the Group than is provided within the primary financial information.

The methodology requires assets of an insurance company reported in the primary financial information to be attributed between those supporting the covered business (restricted assets) and the remainder (residual assets). The method accounts for assets as follows:

- i. restricted assets on an EEV basis; and
- ii. residual assets on the IFRS basis adopted in the primary financial information.

The EEV methodology recognises as profit from the covered business the total of:

- i. cash transfers during the relevant period from the covered business to the residual assets, as determined following a statutory valuation; and
- ii. the movement in the present value of the expected future cash flows from the covered business to the residual assets over the relevant period.

Embedded Value

Shareholders' equity on the EEV basis comprises the embedded value of the covered business plus the balance of shareholders' equity on the IFRS basis, less the value included for purchased interests in long term business.

The embedded value is the sum of the shareholder net worth (SNW) and the value of the in-force business (VIF). SNW is defined as those amounts, held either in the UK Long Term Fund (LTF) or by other companies writing long term business, which are regarded either as required capital for the covered business or which represent surplus assets within those companies.

The VIF is the present value of the distributable profits to shareholders arising from the covered business, projected using best estimate assumptions, less an appropriate deduction for the cost of holding the required level of capital and the time value of financial options and guarantees.

Methodology – European Embedded Value Basis

Six months ended 30 June 2005

Service Companies

All services relating to the UK life and pensions business, including investment management services, are charged on a cost recovery basis.

New Business

New business premiums reflect income arising from the sale of new contracts during the reporting period and any changes to existing contracts which were not anticipated at the outset of the contract.

In force business comprises previously written single premium, regular premium and recurrent single premium contracts.

DWP rebates have not been treated as recurrent and they are included in new business when received.

New business contribution arising from the new business premiums written during the reporting period has been calculated on the same economic and operating assumptions used in the embedded value at the end of the financial period. This has then been rolled forward to the end of the financial period using the risk discount rate applicable at the end of the reporting period.

The present value of future new business premiums (PVNBP), has been calculated and expressed at the point of sale. The PVNBP is equivalent to the total single premiums plus the discounted value of regular premiums expected to be received over the term of the contracts using the same economic and operating assumptions used for the embedded value at the end of the financial period. The new business margin is defined as the new business contribution at the end of the reporting period divided by the PVNBP expressed at the point of sale. The premium volumes and projection assumptions used to calculate the PVNBP are the same as those used to calculate new business contribution.

Projection Assumptions

Cash flow projections are determined using realistic assumptions for each component of cash flow and for each policy group. Future economic and investment return assumptions are based on period end conditions. Future investment returns are projected by one of two methods. The first method is based on an assumed investment return attributed to assets at their market value. The second, which is used in the US, where the investments of that subsidiary are substantially all fixed interest, projects the cash flows from the current portfolio of assets and assumes an investment return on reinvestment of surplus cash flows. The assumed discount and inflation rates are consistent with the investment return assumptions.

Detailed projection assumptions including mortality, persistency, morbidity and expenses reflect recent operating experience and are reviewed annually. Allowance is made for future improvements in annuitant mortality based on experience and externally published data. Favourable changes in operating experience are not anticipated until the improvement in experience has been observed.

All costs relating to the covered business, whether incurred in the covered business or elsewhere in the Group, are allocated to that business. The expense assumptions used for the cashflow projections therefore include the full cost of servicing this business.

Methodology – European Embedded Value Basis

Six months ended 30 June 2005

Tax

The projections take into account all tax which is expected to be paid under current legislation, including tax which would arise if surplus assets within the covered business were eventually to be distributed.

Allowance for Risk

Aggregate risks within the covered business are allowed for through the following principal mechanisms:

- i. Setting required capital levels with reference to both the Group's internal risk based capital models, and an assessment of the strength of regulatory reserves in the covered business;
- ii. Allowing explicitly for the time value of financial options and guarantees (FOGs) within the Group's products; and
- iii. Setting risk discount rates by deriving a Group level risk margin to be applied consistently to local risk free rates.

Required Capital and Free Surplus

Regulatory capital for UK life and pensions business is provided by assets backing the with-profits sub-fund or by the SNW. The SNW comprises the Shareholder Retained Capital (SRC) and the Sub-Fund.

For the UK with-profits sub-fund, the required capital will be covered by the surplus within the fund and no effect will be attributed to shareholders except for the burn-through cost. This treatment is consistent with the Principles and Practices of Financial Management for this fund.

For UK non profit business, the required capital will be maintained at no less than the level of the EU minimum solvency requirement. This level together with the margins for adverse deviation in the regulatory reserves is currently, in aggregate, in excess of internal capital targets assessed in conjunction with the Individual Capital Assessment exercise.

The SRC is either required to cover EU solvency margin or is encumbered because its distribution to shareholders is restricted due to understandings with the FSA dating from 1995/6. It is therefore classified as required capital. SRC is valued by assuming it is distributed from the LTF over a 20 year period with allowance for tax payable on distribution. For this purpose, distribution of the SRC is restricted such that there is always sufficient SRC and subordinated debt left to cover the EU solvency margin for non profit business.

The Sub-Fund is also treated as required capital, because its distribution to shareholders is restricted by Legal & General Assurance Society's Articles of Association.

For our UK managed pension funds business, risk based capital has been used to model required capital. The balance of net assets within the UK managed pension funds business is treated as free surplus.

For L&G America, the Company Action Level (CAL) of capital has been treated as required capital for modelling purposes. The CAL is the regulatory capital level at which the company would have to take prescribed action, such as submission of plans to the state insurance regulator, but would be able to continue operating on the existing basis. The CAL is currently twice the level of capital at which the regulator is permitted to take control of the business.

For L&G Netherlands, required capital has been set at 100% of EU minimum solvency for all products which do not have any related FOGs. For those products with FOGs, capital of between 112.5% and 175% of the EU

Methodology – European Embedded Value Basis

Six months ended 30 June 2005

minimum solvency margin has been used. The level of capital has been determined using risk based capital techniques.

In France, 100% of EU minimum solvency margin has been used for EV modelling purposes for all products without FOGs. For those products with FOGs, 200% of EU minimum solvency margin has been used. The level of capital has been determined using risk based capital techniques.

The contribution from new business for our covered businesses reflects an appropriate allowance for the cost of holding the required capital.

Financial Options and Guarantees

In the UK, all financial options and guarantees (FOGs) are within the UK Life & Pensions business.

Under the EEV Principles an allowance for time value of FOGs is required where a financial option exists which is exercisable at the discretion of the policyholder. These types of option principally arise within the with-profits sub-fund and their time value is recognised within the with-profits burn-through cost. Additional financial options within the non profit fund exist only for a small amount of deferred annuity business where guaranteed early retirement and cash commutation terms apply when the policyholder chooses their actual retirement date.

Further financial guarantees exist within the non profit fund, in relation to index-linked annuities where cap or collar restrictions apply. Due to the nature of these restrictions and how they vary depending on the prevailing inflation conditions we have also treated these as FOGs and recognised a time value cost of FOG accordingly.

In the US, financial options and guarantees relate to guaranteed minimum crediting rates and surrender values on a range of contracts. The guaranteed surrender value of the contract is based on the accumulated value of the contract including accrued interest. The crediting rates are discretionary but related to the accounting income for the amortising bond portfolio. The majority of the guaranteed minimum crediting rates are between 4% and 5%. The assets backing these contracts are invested in US dollar denominated fixed interest securities.

In the Netherlands, there are two types of guarantees: interest rate guarantees and maturity guarantees. Certain contracts provide an interest rate guarantee where there is a minimum crediting rate based on the higher of 1-year Euribor and the policy guarantee rate. In accordance with market practice, it is expected that guarantees will be financed from unrealised gains on assets. This guarantee applies on a monthly basis. Certain unit linked contracts provide a guaranteed minimum value at maturity where the maturity amount is the higher of the fund value and a guarantee amount. The fund values for both these contracts are invested in Euro denominated fixed interest securities.

In France, financial options and guarantees relate to guaranteed minimum crediting rates and surrender values on a range of contracts. The guaranteed surrender value of the contract is the accumulated value of the contract including accrued bonuses. The bonuses are based on the accounting income for the amortising bond portfolios plus income and releases from realised gains on any equity type investments. Policy liabilities equal guaranteed surrender values. Local statutory accounting rules require the establishment of a specific liability when the accounting income for a company is less than 125% of the guaranteed minimum credited returns however this has never been required. In general, the guaranteed annual bonus rates are between 2% and 4.5%.

Risk Discount Rate

The risk discount rate (RDR) is a combination of the risk free rate and a risk margin, which reflects the residual risks inherent in the Group's covered businesses, after taking account of prudential margins in the statutory provisions, the required capital and the specific allowance for financial options and guarantees.

Methodology – European Embedded Value Basis

Six months ended 30 June 2005

The risk margin has been determined based on an assessment of the Group's weighted average cost of capital. This assessment incorporates a beta for the Group which measures the correlation of movements in the Group's share price to movements in a relevant index. Beta values therefore allow for the market's assessment of the risks inherent in the business relative to other companies in the chosen index.

Key assumptions are set out below:

Risk free rate:	Derived from gross redemption yields on relevant gilt portfolio
Equity risk premium	3.0% (UK only)
Property risk premium	2.0% (UK only)
Risk margin	3.0%

The risk margin has been calculated by assuming a debt ratio of 20%, a net cost of debt of 3.9% p.a. and an average beta of 1.35. In addition, the margin allows specifically for the risks covered by the time value of financial options and guarantees (deduction of 0.1%).

Analysis of Profit

Operating profit is identified at a level which reflects an assumed longer term level of investment return.

The contribution to operating profit in a period is attributed to four sources:

- i. new business;
- ii. the management of in-force business;
- iii. development costs; and
- iv. return on shareholder net worth.

The contribution from new business represents the value recognised at the end of each period from new business written in that period, after allowing for the actual cost of acquiring the business and of establishing the required technical provisions and reserves and after making allowance for the cost of capital. New business contributions are calculated using closing assumptions.

The contribution from in-force business is calculated using opening assumptions and comprises:

- i. expected return - the discount earned from the value of business in-force at the start of the year;
- ii. experience variances - the variance in the actual experience over the reporting period from that assumed in the value of business in-force as at the start of the year; and
- iii. operating assumption changes - the effects of changes in future assumptions, other than changes in economic assumptions from those used in valuing the business at the start of the year. These changes are made prospectively from the end of the year.

Development costs are principally associated with exceptional investment or development activity over a defined period.

The contribution from shareholder net worth comprises the increase in embedded value based on assumptions at the start of the year in respect of:

- i. encumbered assets within the covered business – principally the unwind of the discount rate; and

Methodology – European Embedded Value Basis

Six months ended 30 June 2005

- ii. residual assets - the expected investment return.

Further profit contributions arise from actual investment return differing from the assumed long term investment return (investment return variances), and from the effect of economic assumption changes.

Investment return variances represent the effect of actual investment performance and changes to investment policy on shareholder net worth and in-force business from that assumed at the beginning of the period.

Economic assumption changes comprise the effect of changes in economic variables, beyond the control of management, including associated changes to valuation bases to the extent that they are reflected in revised assumptions.

Notes to Financial Information - European Embedded Value Basis

Six months ended 30 June 2005

21. Contingent liabilities, guarantees and indemnities

Provision for the liabilities arising under contracts with policyholders is based on certain assumptions. The variance of actual experience from that assumed may result in such liabilities differing from the provisions made for them.

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

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

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

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

Part 3

Legal & General Group Plc

P1

Consolidated Income Statement - IFRS Basis

Six months ended 30 June 2005

	Notes	30.6.05 £m	30.6.04 Restated £m	Full year 2004 Restated £m
<i>Profit from continuing operations</i>				
Life and pensions	1	241	210	488
Institutional fund management		44	32	69
General insurance		4	17	32
Other operational income		10	13	22
Operating profit		299	272	611
Variation from longer term investment return		50	(26)	37
Shareholder retained capital (SRC) movement	2	116	(150)	(20)
Property income attributable to minority interests		11	8	32
Profit from continuing operations before tax		476	104	660
Tax	3	(120)	(30)	(182)
Profit from continuing operations after tax		356	74	478
Profit from discontinued operations	4	13	2	5
Profit on ordinary activities after tax		369	76	483
Profit attributable to minority interests		(11)	(8)	(32)
Profit attributable to equity holders		358	68	451
Earnings per share				
	5	p	p	p
Based on operating profit from continuing operations after tax		3.18	3.01	6.71
Based on profit attributable to equity holders		5.53	1.05	6.96
Diluted earnings per share				
	5			
Based on operating profit from continuing operations after tax		3.15	3.00	6.63
Based on profit attributable to equity holders		5.38	1.05	6.87

This financial information was approved by the Board on 27 July 2005.

The results for the six months to 30 June 2005 and 30 June 2004 are unaudited, but have been subject to a review by the 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 restated financial information from UK GAAP to IFRS for the year ended 31 December 2004 published on 24 May 2005. The published 31 December 2004 financial information includes an independent auditors' report which is unqualified. The original results for the year ended 2004 published on 24 February 2005 have been filed with the Registrar of Companies and include an independent auditors' report which is unqualified and does not contain a statement under either Sections 237(2) or 237(3) of the Companies Act 1985.

Consolidated Balance Sheet - IFRS Basis

Six months ended 30 June 2005

	Notes	At 30.6.05 £m	At 30.6.04 Restated £m	At 31.12.04 Restated £m
<i>Assets</i>				
Investments		163,963	130,731	147,761
Other assets		6,104	6,337	5,112
Non-current assets held for sale		-	649	733
		170,067	137,717	153,606
<i>Equity and liabilities</i>				
Shareholders' equity	6	3,793	3,398	3,671
Minority interests		215	167	214
Subordinated borrowings		801	394	394
Technical provisions		159,777	128,975	144,569
Senior borrowings		1,573	1,608	1,452
Other creditors and provisions		3,908	2,612	2,672
Non-current liabilities held for sale		-	563	634
		170,067	137,717	153,606

Notes to Financial Information - IFRS Basis

Six months ended 30 June 2005

1. Life and pensions operating profit

	30.6.05	30.6.04 Restated	Full year 2004 Restated
	£m	£m	£m
With-profits business	32	33	67
Non profit business	151	145	324
	<hr/>	<hr/>	<hr/>
UK	183	178	391
USA	27	25	58
Netherlands	31	6	39
France	0	1	0
	<hr/>	<hr/>	<hr/>
	241	210	488
	<hr/>	<hr/>	<hr/>

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

2. Movement in SRC

	30.6.05	30.6.04 Restated	Full year 2004 Restated
	£m	£m	£m
Investment income	36	34	60
Interest expense and charges	(1)	(1)	(2)
Realised investment gains	48	59	100
Unrealised investment gains/(losses)	46	(26)	51
	<hr/>	<hr/>	<hr/>
Investment return on SRC	129	66	209
Net capital released from/(invested in) non profit business	138	(71)	95
Distribution of operating profit from non profit business	(151)	(145)	(324)
	<hr/>	<hr/>	<hr/>
SRC movement before tax	116	(150)	(20)
	<hr/>	<hr/>	<hr/>
SRC at 1 January	2,196	2,214	2,214
SRC movement before tax	116	(150)	(20)
Tax (charge)/credit	(18)	50	19
SRC movement included in total recognised income and expense for the period	7	(2)	(17)
	<hr/>	<hr/>	<hr/>
SRC at end of period	2,301	2,112	2,196
	<hr/>	<hr/>	<hr/>

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

Notes to Financial Information - IFRS Basis

Six months ended 30 June 2005

3. Analysis of tax

	30.6.05	30.6.05	30.6.04	30.6.04	Full year 2004	Full year 2004
	Profit before tax £m	Tax (charge)/ credit £m	Restated Profit before tax £m	Restated Tax (charge)/ credit £m	Restated Profit before tax £m	Restated Tax (charge)/ credit £m
<i>Profit from continuing operations</i>						
UK life and pensions	183	(55)	178	(53)	391	(117)
International life and pensions	58	(23)	32	(12)	97	(33)
	241	(78)	210	(65)	488	(150)
Institutional fund management	44	(13)	32	(9)	69	(21)
General insurance	4	(1)	17	(5)	32	(9)
Other operational income	10	(1)	13	2	22	4
Operating profit	299	(93)	272	(77)	611	(176)
Variation from longer term investment return	50	(9)	(26)	(3)	37	(25)
SRC movement	116	(18)	(150)	50	(20)	19
Property income attributable to minorities	11	-	8	-	32	-
Profit from continuing operations before tax / Tax	476	(120)	104	(30)	660	(182)

In this IFRS information, only the element of total tax attributable to equity holders' profits is shown explicitly as tax, the balance being included within expenses.

No deferred tax is provided at the incremental rate on the undeclared surplus in the UK long term fund represented by the SRC on the grounds that, at the balance sheet date, no obligation to make a declaration of surplus exists and there is no expectation that such a declaration will occur. The maximum amount of incremental tax which would crystallise on such a declaration of surplus at 30.6.05 was £644m (30.6.04: £638m; 31.12.04: £619m).

4. Sale of Gresham Insurance Company Limited

On 3 February 2005 the Group announced that it had agreed in principle to sell its 90% stake in its subsidiary Gresham to Barclays Bank PLC subject to FSA approval. The transaction completed on 31 March 2005 for a consideration of £85m of which £4m was paid in dividends by Gresham and the remaining in cash by Barclays. The transaction resulted in an exceptional profit before tax of £15m (£15m after tax).

	30.6.05	30.6.04	Full year 2004
	£m	Restated £m	Restated £m
Post tax results from discontinued operations			
Gresham profit to 31 March 2005	(2)	2	5
Profit on disposal of Gresham	15	-	-
Profit from discontinued operations	13	2	5

Notes to Financial Information - IFRS Basis

Six months ended 30 June 2005

5. Earnings per share (EPS)

	Profit/ (loss) £m	Earnings per share p	Weighted average number of shares m
Six months ended 30.6.05			
Operating profit from continuing operations after tax	206	3.18	6,477
Variation from longer term investment return	41	0.64	
Change in SRC	98	1.51	
Profit from discontinued operations	13	0.20	
	358	5.53	6,477
Profit attributable to equity holders/EPS	-	(0.03)	35
Net shares under options allocable for no further consideration	8	(0.12)	285
	366	5.38	6,797
Six months ended 30.6.04 (Restated)			
Operating profit from continuing operations after tax	195	3.01	6,478
Variation from longer term investment return	(29)	(0.45)	
Change in SRC	(100)	(1.54)	
Profit from discontinued operations	2	0.03	
	68	1.05	6,478
Profit attributable to equity holders/EPS	-	0.00	24
Net shares under options allocable for no further consideration	12	-	285
	80	1.05	6,787
Full year ended 31.12.04 (Restated)			
Operating profit from continuing operations after tax	435	6.71	6,479
Variation from longer term investment return	12	0.19	
Change in SRC	(1)	(0.02)	
Profit from discontinued operations	5	0.08	
	451	6.96	6,479
Profit attributable to equity holders/EPS	-	(0.03)	33
Net shares under options allocable for no further consideration	16	(0.06)	285
	467	6.87	6,797

* The shares associated with the convertible bond were antidilutive as they would have increased the net earnings per share and were therefore ignored, along with their associated revenue impact, when calculating the diluted earnings per share.

Notes to Financial Information - IFRS Basis

Six months ended 30 June 2005

6. Shareholders' equity

	30.6.05 £m	30.6.04 £m Restated	Full year 2004 £m Restated
At 1 January	3,671	3,567	3,567
Total recognised income and expense for the period	348	41	411
Dividends	(224)	(216)	(321)
Movement in share based payment reserve	7	4	9
Increase in share capital/premium	0	0	1
Net (purchase)/allocation of treasury shares	(9)	2	4
At end of period	3,793	3,398	3,671
Comprising:			
Share capital	163	163	163
Share premium	907	906	907
Treasury reserve	(36)	(29)	(27)
Retained earnings and other reserves	2,759	2,358	2,628
	3,793	3,398	3,671

The number of fully paid ordinary shares of 2.5p in issue at the period end was 6,506m (1H04: 6,505m; FY04: 6,506m).

Notes to Financial Information - IFRS Basis

Six months ended 30 June 2005

7. Segmental analysis of shareholders' equity

	At 30.6.05	At 30.6.04 Restated	At 31.12.04 Restated
	£m	£m	£m
SRC*	2,301	2,112	2,196
Society shareholder capital**	2,049	1,877	1,973
Society shareholders' equity	4,350	3,989	4,169
General insurance	161	227	247
Netherlands	102	57	84
France	60	61	64
Total Society shareholders' equity	4,673	4,334	4,564
USA	537	460	488
Institutional fund management	230	196	199
Corporate funds***	(1,647)	(1,592)	(1,580)
Shareholders' equity	3,793	3,398	3,671

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

** Represents surplus capital held outside the UK long term fund, including the rights issue proceeds.

*** Includes the convertible debt of £501m (1H04: £486m; FY04: £493m) and £602m of senior debt which has been on lent to the UK long term fund.

8. UK Long Term Fund

	At 30.6.05	At 30.6.04 Restated	At 31.12.04 Restated
	£bn	£bn	£bn
With-profits business	27.8	25.3	26.8
Non profit business	20.1	15.3	17.6
Sub-fund	0.3	0.2	0.2
SRC	2.3	2.1	2.2
Value of fund	50.5	42.9	46.8

Consolidated Cash Flow Statement - IFRS Basis

Six months ended 30 June 2005

	30.6.05	30.6.04	Full year 2004
	£m	Restated £m	Restated £m
Profit on ordinary activities after tax	369	76	483
Non cash movements in net profit for the period	(6,540)	(314)	(7,674)
Net increase in operational assets	(6,126)	(10,463)	(17,665)
Net increase in operational liabilities	13,396	10,839	25,336
	<hr/>	<hr/>	<hr/>
Net cash flows from operating activities	1,099	138	480
Cash flows from investing activities			
Net acquisition of property, plant and equipment	(9)	(2)	(11)
Net proceeds from disposal of Gresham	73	-	-
	<hr/>	<hr/>	<hr/>
Net cash flows from investing activities	64	(2)	(11)
Cash flows from financing activities			
Dividends paid	(224)	(216)	(321)
Proceeds from issue of ordinary share capital	0	0	1
Purchase of treasury shares	(11)	(1)	(1)
Increase in borrowings	493	59	373
	<hr/>	<hr/>	<hr/>
Net cash flows from financing activities	258	(158)	52
	<hr/>	<hr/>	<hr/>
Net increase/(decrease) in cash and cash equivalents	1,421	(22)	521
Exchange losses on cash and cash equivalents	(3)	(10)	(2)
Cash and cash equivalents at beginning of period	2,992	2,473	2,473
	<hr/>	<hr/>	<hr/>
Cash and cash equivalents at end of period	4,410	2,441	2,992
	<hr/>	<hr/>	<hr/>

Under IFRS, the Group's Consolidated Cash Flow Statement includes all cash and cash equivalent flows of the Group, including those relating to the UK long term fund.

Part 4

Legal & General Investment Management

- supplementary information

Legal & General Investment Management maintains its position as the largest investment manager in the UK*. Strong new business and rising markets have contributed to a 9.9% increase in funds under management from £162bn in December 2004 to £178bn.

Profits - International Financial Reporting basis

Operating profit from institutional fund management was up 38% to £44m (1H04: £32m). Corporate Pensions profitability increased by 43% from £23m in the first half of June 2004 to £33m.

New business totalled £6.8bn of which £3.1bn was from new clients. Overseas Life Assurance Business was another source of new business success with £721m (1H04: £140m) of new funds, increasing funds under management to £2.2bn.

Client numbers at the end of June 2005 were 2,707 compared with 2,598 at the end of 2004, an increase of 4.2%.

Legal & General Ventures, the private equity arm, successfully completed 5 exits realising over £52m of cash for investors, and made 2 new investments in the period. Profit for the period was £1.7m (1H04: £0.8m).

The Property fund management subsidiary is now the operator, asset manager or property manager to eight external property partnerships. Profits increased by 50% to £3m (1H04: £2m) largely due to increased performance fees and asset growth.

Total Legal & General Investment Management funds under management increased by 22% to £178bn (1H04: £146bn).

Profits - European Embedded Value (EEV) basis

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

Operating profit from institutional fund management was up 29% at £66m (1H04: £51m). The contribution from in-force business was higher at £35m (1H04: £25m) primarily due to lower than assumed outflows. Favourable new business mix led to an increase in new business contribution of 24%, to £21m (1H04: £17m). Further scale economies with pooled funds under management exceeding £100bn, gave rise to positive assumption changes.

Fund Performance

75% of the retail flagship funds were above median over the year to June 2005. Our flagship Linked Life Distribution Fund, which exceeds £2.8bn, maintained its top quartile performance over 1, 3 and 5 years. 77% of our actively managed fixed interest pooled funds outperformed their peer group median or index benchmark over the year, to June 2005. All Index funds were within their tracking tolerances in the year to June 2005.

*Source: IMA Asset Management Survey 2005 & Hymans Robertson Market Briefing 2005.

Part 4

Legal & General Investment Management

P1

Consolidated Income Statement - IFRS Basis

Six months ended 30 June 2005

	30.6.05	30.6.04	Full year 2004
	£m	Restated £m	Restated £m
<i>Profit from continuing operations</i>			
Corporate pensions	33	23	51
Ventures	2	1	4
Property	3	2	3
Other external income	2	2	3
Other operational income	4	4	8
Operating profit	44	32	69
Variation from longer term investment return	0	(2)	0
Profit on ordinary activities before tax	44	30	69
Tax charge on profit on ordinary activities	(13)	(9)	(21)
Profit for the financial period	31	21	48

This financial information was approved by the Board on 27 July 2005.

The results for the six months to 30 June 2005 and 30 June 2004 are unaudited, but have been subject to a review by the 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 restated financial information for the year ended 31 December 2004 published on 24 May 2005. The published 31 December 2004 supplementary financial information includes an independent auditors' report which is unqualified. The original results for the year ended 2004 published on 24 February 2005 have been filed with the Registrar of Companies and include an independent auditors' report which is unqualified and does not contain a statement under either Sections 237(2) or 237(3) of the Companies Act 1985.

These figures have been prepared using International Financial Reporting Standards (IFRS). The European Embedded Value (EEV) results are included on Page 4.

Funds under management

Six months ended 30 June 2005

	At 30.6.05 £m	At 30.6.04 Restated £m	At 31.12.04 Restated £m
Total investments	177,626	145,746	162,331
<i>Represented by</i>			
Index tracking funds:			
- UK equities	52,200	44,795	49,429
- Overseas equities	29,417	22,896	26,301
- Fixed interest	20,859	18,295	20,369
- Index linked	16,665	13,071	14,544
- Cash/deposits	411	482	529
Total index tracking funds	119,552	99,539	111,172
Actively managed funds	58,074	46,207	51,159
	177,626	145,746	162,331
<i>By fund management approach</i>			
Indexed equities	81,617	67,690	75,729
Active bonds (including index linked funds)	40,319	31,697	35,456
Indexed bonds (including index linked funds)	37,935	31,848	35,442
Active equities	10,248	8,093	8,458
Property	7,107	6,117	6,851
Private equity (ventures)	400	301	395
	177,626	145,746	162,331
<i>By source of business</i>			
Institutional funds under management*:			
- Managed pension funds pooled	105,114	81,502	93,989
- Managed pension funds segregated	8,070	9,328	9,318
- Other	2,809	2,594	1,781
Total institutional funds under management	115,993	93,424	105,088
UK Operations (unit trusts - excluding life fund investment)	8,363	7,392	7,919
UK Operations (life and general insurance funds)	53,270	44,930	49,324
	177,626	145,746	162,331

* excludes institutional investments in unit trust funds

New business

Six months ended 30 June 2005

	6 months 30.6.05 £m	3 months 30.6.05 £m	3 months 31.3.05 £m	6 months 30.6.04 £m	3 months 30.6.04 £m	3 months 31.3.04 £m
Managed pension funds*						
- Pooled funds	6,710	3,396	3,314	7,610	3,198	4,412
- Segregated funds	105	63	42	1,063	101	962
	6,815	3,459	3,356	8,673	3,299	5,374
Other funds	60	3	57	70	13	57
	6,875	3,462	3,413	8,743	3,312	5,431
				30.6.05 £m	30.6.04 £m	Full year 2004 £m
Managed pension funds*						
- Pooled funds				6,710	7,610	13,951
- Segregated funds				105	1,063	1,228
				6,815	8,673	15,179
Other funds**				60	70	368
				6,875	8,743	15,547
<i>By fund management approach</i>						
Active equities				0.0%	0.1%	0.1%
Active bonds (including cash)				11.1%	18.6%	16.2%
Indexed equities				46.7%	44.8%	47.9%
Indexed bonds (including cash)				41.7%	35.9%	34.8%
Property				0.0%	0.4%	0.6%
Private equity				0.5%	0.2%	0.4%
				100.0%	100.0%	100.0%

* New monies from pension fund clients of Legal & General Assurance (Pensions Management) Ltd.

Corporate pensions gross new business excludes £1.8bn (1H04: £2.2bn; FY04: £5.0bn) which was held through the year on a temporary basis, generally as part of a portfolio reconstruction.

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

Consolidated Profit and Loss Account - European Embedded Value Basis

Six months ended 30 June 2005

	30.6.05	30.6.04 Restated	Full year 2004 Restated
	£m	£m	£m
<i>Profit from continuing operations</i>			
Managed pension funds:			
Contribution from:			
New business	21	17	36
In-force business			
- expected return	10	9	18
- experience variances	12	8	15
- operating assumption changes	13	8	18
Development costs	0	-	(1)
Shareholder net worth	3	3	6
	<hr/>	<hr/>	<hr/>
Total	59	45	92
Ventures	2	1	4
Property	3	2	3
LGIM	1	2	3
Other operational income	1	1	2
	<hr/>	<hr/>	<hr/>
Operating profit from institutional fund management	66	51	104
Variation from longer term investment return*	11	-	11
Effect of economic assumption changes	1	(1)	-
	<hr/>	<hr/>	<hr/>
Profit on ordinary activities before tax	78	50	115
Tax charge on profit on ordinary activities	(21)	(13)	(31)
	<hr/>	<hr/>	<hr/>
Profit for the financial period	57	37	84
	<hr/>	<hr/>	<hr/>
* The variation from longer term investment return represents the effect of the investment performance in respect of shareholder net worth and in-force business, compared with embedded value assumptions at the beginning of the period.			
Managed pension funds embedded value			
	30.6.05	30.6.04	Full year
	£m	£m	2004
			£m
At 1 January	353	301	301
Profit after tax	50	31	72
Distributions and capital movements	-	-	(20)
	<hr/>	<hr/>	<hr/>
At period end	403	332	353
	<hr/>	<hr/>	<hr/>
comprising:			
Value of in-force business	215	171	191
Shareholder net worth	188	161	162
	<hr/>	<hr/>	<hr/>
	403	332	353