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LEGAL & GENERAL GROUP PLC

INTERIM ACCOUNTS FOR THE

SIX MONTHS ENDED 30 JUNE 2007

Legal & General Group Plc
Profit and loss account
Six months ended 30 June 2007

	Notes	30 06 07 £m	30 06 06 £m	Full year 31 12 06 £m
Income receivable from shares in Group undertakings	2	**400**	52	433
Gain on disposal of subsidiary	5	**605**	-	-
Investment return		**43**	46	71
Interest payable and similar charges	3	**(49)**	(48)	(101)
Administration expenses		**(15)**	(5)	(4)
Profit on ordinary activities before taxation		**984**	45	399
Tax on profit on ordinary activities		**9**	7	15
Profit for the period		**993**	52	414
Interim dividend distributions during the period	4	**-**	-	(113)
Final dividend distributions during the period	4	**(248)**	(236)	(236)
Retained profit/(loss) for the period		**745**	(184)	65

Legal & General Group Plc
Balance Sheet
As at 30 June 2007

	Notes	At 30 06 07 £m	At 30 06 06 £m	At 31 12 06 £m
Fixed assets				
Investments	5	**6,529**	5,794	6,690
Current assets				
Amounts owed by Group undertakings		**1,280**	85	161
Debtors				
Financial investments		**189**	42	22
Tax		**33**	37	26
Other debtors		**8**	10	-
Creditors amounts falling due within one year				
Convertible loan	7	**-**	(518)	-
Amounts owed to Group undertakings		**(9)**	(2)	(2)
Other creditors	6	**(71)**	(50)	(21)
Net current assets/(liabilities)		1,430	(396)	186
Total assets less current liabilities		7,959	5,398	6 876
Creditors amounts falling due after more than one year				
Subordinated borrowings	7	**(1,371)**	(813)	(818)
Amounts owed to Group undertakings		**(620)**	(337)	(638)
		5,968	4 248	5 420
Capital and reserves				
Called up share capital	8	**163**	163	163
Share premium account	8	**926**	920	923
Revaluation reserve	9	**3,234**	2 510	3 431
Other reserves	9	**25**	29	26
Profit and loss account	9	**1,620**	626	877
Total equity		**5,968**	4 248	5,420

The interim financial statements on pages 1 to 9 were approved by the directors on 25 July 2007 and were signed on its behalf by

Rob Margetts

Sir Rob Margetts
Chairman

Tim Breedon
Group Chief Executive

Andrew Palmer
Group Director (Finance)

Legal & General Group Plc

Statement of Total Recognised Gains and Losses

For the six months ended 30 June 2007

	30 06 07 £m	30 06 06 £m	Full year 2006 £m
Profit for the period	**993**	52	414
(Loss)/gain on revaluation of investments in subsidiary undertakings	**(197)**	193	1,114
Total recognised gains and losses relating to the period	**796**	245	1,528

Legal & General Group Plc

Reconciliation of Movements in Total Equity

For the six months ended 30 June 2007

	30 06 07 £m	30 06 06 £m	Full year 2006 £m
At 1 January	**5,420**	4 646	4 646
Total recognised gains and losses	**796**	245	1 528
Net movements in employee share schemes	**(1)**	6	3
Dividend distributions to equity holders of the Company during the year	**(248)**	(236)	(349)
Issue of ordinary share capital	**3**	12	15
Net change in hedging reserve	**-**	(3)	(3)
Transfer (to)/from share-based payments reserve	**(7)**	-	2
Reclassification of subordinated borrowings from equity to debt	**-**	(394)	(394)
Exchange gain on currency loan	**5**	-	-
Fair value loss after tax on reclassification of subordinated borrowings as debt	**-**	(28)	(28)
At end of period	**5,968**	4 248	5,420

Legal & General Group Plc
Notes to the Interim Accounts

1 Accounting policies

Basis of preparation
The Company's interim accounts have been prepared in accordance with and for the purposes of Sections 270 and 272 of the Companies Act 1985

Income
Income includes dividends and interest Dividends receivable from Group companies are recognised in the period in which the dividends are declared and approved at a general meeting or are paid Interest income is recognised using the effective interest method

Distributions
Dividend distributions to equity holders are recognised as a liability in the period in which the dividends are authorised and are no longer at the discretion of the Company Final dividends are accrued when approved by equity holders at a general meeting and interim dividends are accrued when paid

Interest expense
Interest expense reflects the underlying cost of borrowing based on the effective interest method and includes payments and receipts made under derivative instruments which are amortised over the interest period to which they relate

Investment in subsidiary undertakings
Shares in subsidiary undertakings are stated at the Company's share of their net assets Unrealised gains or losses arising on investments in subsidiary undertakings are taken to the revaluation reserve

Loans and receivables
Loans and receivables are held at amortised cost using the effective interest rate method

Derivative financial instruments and hedge accounting
The Company's activities expose it to the financial risks of changes in foreign exchange rates and interest rates The Company uses derivatives such as foreign exchange forward contracts and interest rate swap contracts, to hedge these exposures The Company uses hedge accounting provided the prescribed criteria are met to recognise the offsetting effects of changes in the fair value or cash flow of the derivative instrument and the hedged item The Company's principal use of hedge accounting is to hedge the fair value movements in loans due to interest rate and exchange rate fluctuations Any gain or loss from remeasuring the hedging instrument at fair value is recognised immediately in the profit and loss account Any gain or loss on the hedged item attributable to the hedged risk is adjusted against the carrying amount of the hedged item and recognised in the profit and loss account The relationship between the hedging instrument and the hedged item together with the risk management objective and strategy for undertaking the hedge transaction are documented at the inception of the transaction The effectiveness of the hedge is documented and monitored on an ongoing basis Hedge accounting is only applied for highly effective hedges (between 80% and 125% effectiveness) with any ineffective portion of the gain or loss recognised in the profit and loss account in the current period

Certain derivative instruments do not qualify for hedge accounting Changes in the fair value of any such derivative instruments are recognised immediately in the profit and loss account

Borrowings
Borrowings are recognised initially at fair value net of transaction costs Borrowings classified as liabilities are subsequently stated at amortised cost The difference between the proceeds and the redemption value is recognised in the profit and loss account over the borrowing period using the effective interest method

For a convertible bond which includes a cash settlement option in lieu of the issue of shares on conversion the conversion option is separated and recognised as a derivative liability The liability is revalued to fair value at each reporting period with fair value gains and losses taken through the profit and loss account The remainder of the proceeds less attributable expenses is allocated to the value of the debt portion of the convertible bond This amount is recorded as a liability on an amortised cost basis using the effective interest rate until extinguished on conversion or on maturity of the bond

Deferred tax
Deferred tax is recognised in respect of timing differences which have not reversed at the balance sheet date and which result in an obligation to pay more tax, or a right to pay less tax, at a future date Deferred tax is measured at rates expected to apply when the timing differences reverse, based on current tax rates and law Deferred tax assets are recognised to the extent that it is more likely than not that they will be recovered Deferred tax assets and liabilities are not discounted

Foreign currencies
Foreign currency transactions are translated into sterling the Company's functional and presentational currency using the exchange rate prevailing at the date of the transactions Foreign exchange gains and losses are recognised in the profit and loss account

Pension costs
The Company participates in multi-employer defined benefit schemes within the meaning of FRS 17 Retirement Benefits which as its share of the underlying assets and liabilities cannot be identified have been treated for reporting purposes as defined contribution schemes In addition to these schemes the Company also contributes to defined contribution schemes The Company charges the costs of its pension schemes against profit as incurred Any difference between the cumulative amounts charged against profits and contribution amounts paid is included as a provision or prepayment in the balance sheet

The assets of the defined benefit schemes are held in separate trustee administered funds which have been subject to regular valuation every three years and updated by formal reviews at reporting dates by qualified actuaries who were employees of the Group

Share-based payments
The Company operates a number of share-based payment plans on behalf of its subsidiaries The fair value of the equity instruments granted is spread over the vesting period of the instrument and treated as a capital contribution to the respective subsidiary The total capital contribution is determined by reference to the fair value of the awards excluding the impact of any non-market vesting conditions

At each balance sheet date the Company revises its estimate of the number of equity instruments which are expected to become exercisable It recognises the impact of the revision of original estimates if any in the cost of the investment in the subsidiary and a corresponding adjustment is made to equity over the remaining vesting period On vesting or exercise the difference between the accumulated capital contribution and the actual cost to the Company is transferred to retained earnings Where new shares are issued the proceeds received are credited to share capital and share premium Any capital contribution is subsequently recharged to the respective subsidiary as incurred and the corresponding cost of investment is reduced

2 Income receivable from shares in Group undertakings

	30 06 07 £m	30 06 06 £m	Full year 2006 £m
Legal & General Assurance Society Limited	**400**	50	380
Legal & General Investment Management Limited	-	-	50
Other	-	2	3
Income receivable from shares in Group undertakings	**400**	52	433

3 Interest payable and similar charges

	30 06 07 £m	30 06 06 £m	Full year 2006 £m
Interest payable to Group undertakings	**(19)**	(18)	(36)
Interest payable in respect of borrowings	**(30)**	(30)	(65)
Interest payable and similar charges	**(49)**	(48)	(101)

4 Dividends and other distributions

	30 06 07 p	30 06 07 £m	30 06 06 p	30 06 06 £m	31 12 06 p	31 12 06 £m
Ordinary share dividends paid in the period	**3 81**	**248**	3 63	236	5 37	349
Ordinary share dividend proposed[1]	**1 87**	**122**	1 74	113	3 81	248

1 The dividend proposed for the period to 30 June 2007 has not been included as a liability in the balance sheet

5 Investments

	Shares in Group companies 30 06 07 £m	Loans to Group companies 30 06 07 £m	Total 30 06 07 £m
At valuation, 1 January 2007	**5,407**	**1,283**	**6,690**
Additions	**1,990**	**-**	**1,990**
Disposals	**(1,340)**	**-**	**(1,340)**
Repayment	**-**	**(605)**	**(605)**
Revaluation	**(197)**	**(9)**	**(206)**
At valuation, 30 June 2007	**5,860**	**669**	**6,529**
At cost 30 June 2007	**2,661**	**760**	**3,421**

On 11 June 2007, Legal & General Group Plc sold its investment in Legal & General Insurance Holdings Limited (original cost £1 340m) to Legal & General Insurance Holdings No 2 Limited (a direct subsidiary of Legal & General Group Plc) for a total consideration of £7 491m The consideration was satisfied by share capital of Legal & General Insurance Holdings No 2 Limited with a nominal value of £6 886m and cash of £605m The cash settlement is recognised in the Company profit and loss account as a realised profit

5 Investments (continued)

	Shares in Group companies 30 06 06 £m	Loans to Group companies 30 06 06 £m	Total 30 06 06 £m
At valuation, 1 January 2006	4 290	1 304	5,594
Additions	2	20	22
Repayment	-	-	-
Revaluation	193	(15)	178
At valuation, 30 June 2006	4 485	1,309	5 794
At cost, 30 June 2006	2 009	1 365	3,374

	Shares in Group companies 31 12 06 £m	Loans to Group companies 31 12 06 £m	Total 31 12 06 £m
At valuation, 1 January 2006	4 290	1 304	5,594
Additions	4	624	628
Repayment	-	(606)	(606)
Revaluation	1 114	(40)	1,074
At valuation, 31 December 2006	5,408	1 282	6 690
At cost 31 December 2006	2 011	1,364	3 375

6 Other creditors and accruals

	30 06 07 £m	30 06 06 £m	Full year 2006 £m
Derivative liabilities	**66**	43	19
Other creditors	**3**	2	2
Deferred tax	**2**	5	-
Other creditors and accruals	**71**	50	21

7 Borrowings

	At 30 06 07 £m	At 30 06 06 £m	At 31 12 06 £m
Subordinated borrowings			
6 385% Sterling perpetual capital securities	**580**	-	-
5 875% Sterling undated subordinated notes	**428**	429	429
4 0% Euro subordinated notes 2025	**363**	384	389
Total subordinated borrowings	**1,371**	813	818
Senior borrowings			
2 75% Sterling convertible bond 2006	**-**	518	-
Total borrowings	**1,371**	1 331	818

8 Share capital and share premium

Authorised share capital	30 06 07 Number of shares	30 06 07 £m	30 06 06 £m	Full year 2006 £m
At period end ordinary shares of 2 5p each	**9,200,000,000**	**230**	230	230

Issued share capital, fully paid	Number of shares	Share capital £m	Share premium £m
At 1 January 2007	**6,532,261,961**	**163**	**923**
Options exercised under share option schemes			
- Executive share option scheme	**1,659,031**	**-**	**2**
- Save as you earn scheme	**1,596,379**	**-**	**1**
At 30 June 2007	**6,535,517,371**	**163**	**926**

	Number of shares	Share capital £m	Share premium £m
At 1 January 2006	6,507,421,932	163	908
Options exercised under share option schemes			
- Executive share option scheme	3,344,635	-	-
- Save as you earn scheme	17 140 007	-	12
At 30 June 2006	6,527,906,574	163	920

	Number of shares	Share capital £m	Share premium £m
At 1 January 2006	6,507,421,932	163	908
Options exercised under share option schemes			
- Executive share option scheme	5 324 625	-	4
- Save as you earn scheme	19,515,404	-	11
At 31 December 2006	6 532 261 961	163	923

9 Movement in reserves

	Hedging reserve £m	Share-based payment reserve £m	Sub-ordinated borrowings £m	Revaluation reserve £m	Profit and loss account £m	Total £m
At 1 January 2007	(1)	27	-	3,431	877	4,334
Retained profit after tax and dividends	-	-	-	-	745	745
Decrease in the net assets of subsidiaries	-	-	-	(197)	-	(197)
Value of employee services	-	9	-	-	-	9
Net change in hedging reserve	-	-	-	-	-	-
Shares vested and transfer from share-based payments reserve	-	(10)	-	-	(7)	(17)
Reclassification of subordinated borrowings from equity to debt	-	-	-	-	-	-
Exchange gain on currency loan	-	-	-	-	5	5
Fair value loss after tax on reclassification of subordinated borrowings as debt	-	-	-	-	-	-
At 30 June 2007	(1)	26	-	3,234	1,620	4,879

	Hedging reserve £m	Share-based payment reserve £m	Sub-ordinated borrowings £m	Revaluation reserve £m	Profit and loss account £m	Total £m
At 1 January 2006	2	24	394	2 317	838	3 575
Retained profit after tax and dividends	-	-	-	-	(184)	(184)
Increase in the net assets of subsidiaries	-	-	-	193	-	193
Value of employee services	-	6	-	-	-	6
Net change in hedging reserve	(3)	-	-	-	-	(3)
Shares vested and transfer from share based payments reserve	-	-	-	-	-	-
Reclassification of subordinated borrowings from equity to debt	-	-	(394)	-	-	(394)
Fair value loss after tax on reclassification of subordinated borrowings as debt	-	-	-	-	(28)	(28)
At 30 June 2006	(1)	30	-	2 510	626	3,165

	Hedging reserve £m	Share-based payment reserve £m	Sub-ordinated borrowings £m	Revaluation reserve £m	Profit and loss account £m	Total £m
At 1 January 2006	2	24	394	2 317	838	3 575
Retained profit after tax and dividends	-	-	-	-	65	65
Increase in the net assets of subsidiaries	-	-	-	1,114	-	1,114
Value of employee services	-	15	-	-	-	15
Net change in hedging reserve	(3)	-	-	-	-	(3)
Shares vested and transfer from share based payments reserve	-	(12)	-	-	2	(10)
Reclassification of subordinated borrowings from equity to debt	-	-	(394)	-	-	(394)
Fair value loss after tax on reclassification of subordinated borrowings as debt	-	-	-	-	(28)	(28)
At 31 December 2006	(1)	27	-	3,431	877	4,334

10 Post balance sheet event

The Board has approved an on market share buy back programme to return £1bn of capital to shareholders Full details are provided in the 2007 Interim Review

There is no impact on the results of the Group for the six months period to 30 June 2007