Legal & General
INVESTMENT MANAGEMENT

LEGAL & GENERAL INVESTMENT MANAGEMENT (HOLDINGS) LIMITED

REPORT AND FINANCIAL STATEMENTS
Company Number: 04303322

31 December 2019

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Registered office:
One Coleman Street
London
United Kingdom
EC2R 5AA
Company Number 04303322

STRATEGIC REPORT
For the year ended 31 December 2019

The directors of Legal & General Investment Management (Holdings) Limited (the "Company"), present their Strategic Report for the year ended 31 December 2019.

Principal activities

During the year, the Company continued to act as the holding company for its subsidiaries, which provide investment management services (The LGIM Division). The Company acts as a provider of staff, systems and services to its underlying subsidiaries.

Business review

Total dividends declared by the Company of £269.0m represent an increase of 7.3% on the 2018 dividends declared of £250.7m. Dividend income received from subsidiary entities decreased by 26.5% from £297.8m in 2018, to £219.0m in 2019.

Administrative expenses have increased by 19.0% in 2019. This is largely as a result of reviews completed on the Company's historic capitalised intangible projects, which resulted in £38.7m of impairments during the year.

The directors review a range of performance indicators, including:

Operating profit for the year was £167.0m (2018: £290.0m)
Profit on ordinary activities before taxation for the year was £164.5m (2018: £292.1m)
Profit after tax is £176.4m (2018: £294.1m)

Outlook and future developments

The external environment is expected to remain competitive in 2020. Whilst pricing pressure is being experienced across the asset management industry, we believe the Company and LGIM Division are well placed to manage these pressures and we are confident that they will maintain their positive performance in the future by enhancing existing products and launching new products to meet customer demand.

At the date of this report, the Company is taking the coronavirus threat to its clients, vendors, staff and overall business very seriously. Whilst there are many unknowns at the time of writing, it is clear that the extent and nature of the impacts to the Company and wider will be determined by both the number of people infected, national and individual responses as well as our own preparedness for the impacts to business continuity. The LGIM Division is taking proactive action in line with the wider L&G Group and has activated business continuity plans to minimise the risk of disruption to business operations, taking account of Government advice and the need to safeguard the health of our work force.

The full effects of Brexit remain to be seen. A project has been established within the LGIM Division, ensuring that appropriate steps are taken as required to respond to changes to our operating environment caused by Brexit.

Section 172(1) statement of stakeholder engagement

The Board consider that they have adhered to the requirements of section 172 of the Companies Act 2006 (the Act) and have, in good faith, acted in a way that they consider would be most likely to promote the success of the company for the benefit of its shareholders as a whole and, in doing so, have had regard to and recognised the importance of considering all stakeholders and other matters (as set out in s.172(1)(a-f) of the Act) in its decision-making.

As part of the Legal & General ("L&G") Group, taking into account the relative size and complexity of the Company and centralised nature of the Group, the Board may consider it reasonable for decision making to be handled by the Group Board. In such cases, this will be articulated in the statement and reference provided to the appropriate section of the Group's Annual Report & Accounts.

The new reporting legislation around stakeholder engagement is welcomed by the Board and the commentary and table below sets out our s.172(1) statement. This statement provides details of key stakeholder engagement undertaken by the Board during the year and how this helps the Board to factor potential impacts on stakeholders in the decision making process. Additional details of the Group's key stakeholders and why they are important to us are set out on pages 14 and 15 in the Group's Annual Report & Accounts, which can be found on the Group website, www.legalandgeneralgroup.com.

General

The Group seeks to promote the highest standards of governance and ensures that these standards cascade throughout the Group and its subsidiaries. Guiding principles are in place for the relationship between the Group Board and the Boards of the Group's principal subsidiaries. This framework promotes full and effective interaction across all levels of the Group to support the delivery of strategy and business objectives within a framework of best corporate governance practice. A full description of the Group's governance arrangements can be found in the Group Annual Report & Accounts, which can be found on the Group website, www.legalandgeneralgroup.com.

Corporate governance underpins how we conduct ourselves as a Board, our culture, values, behaviours and how we do business. As a Board we are conscious of the impact that our business and decisions have on our direct stakeholders as well as our wider societal impact.

As part of the director induction process, directors are briefed on their duties, including their duty under s.172 of the Companies Act 2006. The directors are entitled to request from the Company all such information they may reasonably require in order to be able to perform their duties as directors, including professional advice from either the Company Secretary or from an independent advisor at the Company's expense. On-going training is provided to the directors, as required, to ensure that their knowledge remains up to date and they continue to be able to discharge their duties as directors.

Last year we implemented a new standard practice across the Group which requires that all Group and subsidiary Board papers demonstrate that stakeholders have been considered. Details of this have been included in the cover sheet for each Group and subsidiary Board papers throughout the year. For each transaction reviewed by the Board, including but not limited to material acquisitions and strategic expansion, discussion takes place around employee impact and impact on other stakeholders, such as customers. The relevance of each stakeholder group may vary by reference to the issue in question, so the Board seeks to understand the needs of each stakeholder group and any potential conflicts as part of its decision-making. Additionally, the Group or subsidiary Company Secretary is on hand to provide support to the Board in ensuring that sufficient consideration and time is given to stakeholder issues during these discussions.

Principal decisions

For the year ending 31 December 2019, the Board consider that the following are examples of principal decisions that it made in the period:

- Approval of individual client mandates which met the threshold for escalation to the Board as the holdings board of the LGIM Division
- Approval of interim dividends of £82m, £125m and a final dividend £62m
- Approval of the 2019 ICAAP results
- Appointment of new independent directors

Key Stakeholders

The table below sets out our key stakeholders and how we have engaged with them in the period, as well as demonstrating stakeholder consideration in the decision making process.

Stakeholders Their importance to us	The Board's approach to stakeholder engagement	Stakeholder consideration in the Board's decision making
Shareholders Our shareholders are vital to the future success of our business, providing funds which aid business growth and the generation of sustainable returns.	Our ultimate shareholder is Legal & General Group Plc, whose shareholders are institutional and individual investors who own Legal & General shares or bonds. Performance metrics and updates are provided by the Board to our parent company, with subsidiary performance cascaded up the Group.	As a Board, we aim to provide clear information to our parent company and ultimate shareholders, being honest and transparent as to the performance of the business. Value is generated for shareholders by achieving the business plan, providing a sustainable, progressive dividend (where appropriate) and through share price performance of the ultimate shareholder, Legal & General Group Plc.
Customers (the LGIM Division's policyholders, unitholders and other clients) Listening to our customers helps us to better understand their needs and provide suitable and reliable products and services.	Our teams are dedicated to making sure we constantly refine what we do – making customers feel confident that we're delivering our promises to them in everything we do.	In preparation for Brexit, the Board discussed the contingency plans of subsidiary entities and in particular the steps being taken to ensure continuity of client services.
Workforce Engaging with our people enables us to create an inclusive company culture and a positive working environment.	At the start of the year the Group moved from a traditional annual employee survey to a 'Voice Survey' of more frequent digital listening, giving real-time employee feedback and allowing us to create a better dialogue with the workforce. Following these surveys, action plans at Group,	The Board has considered the outcomes of our employee engagement activities during the year as well as action plans to ensure continuous improvement of the employee experience and the retention of our inclusive culture.

	divisional and local level are put into place. While at Group level there is a Designated Workforce Director on the Board. These methods of engagement ensure that we continue to foster an inclusive and supportive working environment for our employees, thus ensuring the sustainability of the company in the long term.	
Suppliers Interaction with our suppliers and treating our suppliers fairly allows us to drive high standards and reduce risk in our supply chain whilst also benefitting from cost efficiencies and generating positives for the environment and wider society.	As a Group we hold regular meetings with our key suppliers ensuring risks are proactively managed and they are up to date on latest developments and best practice. We strive to work with like-minded businesses, requiring suppliers to comply with our Supplier Code of Conduct. This safeguards the relationship and establishes standards that ensure suppliers operate ethically, are environmentally responsible and that their workers are treated with respect and dignity.	As part of the preparations for Brexit, the Board considered the role of suppliers in contingency planning and client service delivery.
Regulators Active engagement with the government and regulators helps to ensure that standards across our business and across the industry are maintained in order to protect our customers.	As would be expected of a large, diversified group, Legal & General is proactively supervised by the primary regulators in the UK. Our engagement consists of regular scheduled meetings with senior managers, routine deep dive activity, and occasional inclusion in thematic reviews. Legal & General places high importance on having an open and transparent relationship with all regulators, and promotes a collaborative approach through on-going regulatory interactions. As a Group, we recognise the value of strong regulation in the markets in which we operate where it ensures trust and confidence and can be a positive force on business. We seek to actively participate with government and regulatory bodies to develop responses to developing issues that meet the	The Company welcomes engagement with the Regulator and throughout the year, the Company engaged with the FCA on the Company's long term Future Platform Initiative ("FPI"), in particular the validation process undertaken, remediation activities and progress against actions. The Financial Conduct Authority ("FCA") were also kept apprised of progress of other projects.

	needs of all stakeholders.	
Community/wider society Contributing positively to wider society enables us to create stronger communities and have a positive environmental impact.	Our purpose is to improve the lives of our customers, build a better society for the long term and create value for our shareholders. This inspires us to use our long-term assets in an economically and socially useful way to benefit everyone in our communities. Our approach to inclusive capitalism takes our belief in responsible behaviour and extends it into investing in communities and cities to change people's lives for the better	Legal & General Group plc uses capital and policyholder's assets to make long term investments in real assets. This allows us to create value for shareholders, provide stability for pension customers and benefit communities right across the UK. The Group has a Group Corporate Responsibility & Ethics (GCRE") Committee which has responsibility and oversight of such matters. The Group Board approve the GCRE Policy on an annual basis and this is implemented across the Group. A senior leadership event, held in November 2019, and attended by senior leaders across the Group, focussed on how the business leaders should respond to the climate change challenge.

Further information on how the Legal & General Plc Group Board have engaged with stakeholders can be found in the Group s.172(1) Statement, which can be found on the Group website, www.legalandgeneralgroup.com.

Principal risks and uncertainties

The Company's business involves the acceptance and management of risk. Disclosures of the Company's approach to risk management are provided in the unaudited Pillar 3 Capital Disclosure report on page 48. The principal risks and uncertainties facing the Company are described below.

Intra-group subsidiary risk

The Company has reliance on subsidiary undertakings to meet payments for services provided and to manage risks and uncertainties associated with the environments in which they operate. Each subsidiary undertaking's financial resources position and its approach to risk control and mitigation is monitored on a continual basis.

Resources

The Company has expertise in the fields in which it operates. It actively focuses on retaining the best personnel and ensuring that key dependencies do not arise through employee training, development programmes, remuneration strategies and succession planning. However, the sudden unanticipated loss of teams of expertise may, in the short term, impact the Company and wider LGIM Division's businesses.

Market and broader economic conditions

The LGIM Division invests on behalf of clients across a broad range of investment assets. The performance and liquidity of investment markets as well as interest rate movements and inflation can impact the value of these investments. This in turn may impact the earnings, profitability and capital requirements of the LGIM Division. Significant falls in investment asset values can impact fee income from investment management activities, whilst broader economic conditions can influence the demands for investment products and the period over which the business is retained.

The emergence of the Covid 19 coronavirus, and the responses by national governments to contain the significant threats to public health, has seen significant falls in asset values as financial markets reappraise their value against the backdrop of an extended economic downturn. Actions by central banks have also seen interest rates fall to record lows, and although governments have sought to reassure markets by providing financial support to sectors particularly exposed to a downturn in economic activity, there is a material increase in rating migration and credit default risks. The political and economic uncertainty from the UK's withdrawal from the EU also has the capacity to impact the value of UK markets and the effects of financial services transfers to markets remaining within the EU remains to be seen.

The LGIM Division uses a range of risk management strategies to manage volatility in returns from investment assets and the broader effects of adverse market conditions, whilst continuing to invest in line with client and fund guidelines. The effect of market and economic conditions upon fee income is mitigated through the utilisation of a low cost scalable business model combined with both the development of specialist offerings that meet specific client needs and also the maintenance of a diversified portfolio of products. This framework has operated well during the market events of recent years, and the risks inherent in renewed or extreme adverse market conditions, the reliance upon expert personnel, and the shift toward more specialist and segregated funds are considered in business plan modelling.

As in previous years, the LGIM Division models its business plans across a broad range of economic scenarios and takes account of alternative economic outlooks within its overall business strategy. Additionally, the Individual Capital Adequacy Assessment Process (ICAAP) plays a key part in business planning, ensuring a clear link between capital adequacy and the nature of the risks to which the Company is exposed.

Sector performance and reputation

Events in the financial services sector outside the control of the Company and the Legal & General Group may impact earnings and profitability due to their potential impact on the value of funds under management. The LGIM Division seeks wherever practicable to mitigate the effects of these contagion risks.

Historically such events have included:

- Failings by competitors;
- Actions by regulators within the industry;
- Shock events such as significant market failure or reputational events; and
- Adverse performance of investment markets.

During recent years, investor confidence in a number of financial services institutions has wavered. Although controls within the Company and its subsidiaries have allowed the effects of uncertainty in markets to be managed, a residual lack of confidence in the sector may impact future profitability. Tightening regulation and continuing negative media coverage of the financial services sector may adversely lower consumers' confidence in the value of investment products with resulting impacts on the environment in which the LGIM Division operates. Lack of confidence in the Company and the LGIM Division is mitigated by the retention of sufficient capital to avoid the need to rely on parental support in all but the most extreme circumstances and by effective on-going capital management.

Investment is being made in the Division's infrastructure to modernise processes and technology in order to mitigate these risks and improve scalability. The LGIM Division actively engages with regulators as well as promoting effective governance to support understanding of the risk drivers in the relevant markets and providing clarity on areas where it believes the industry needs to change.

Regulatory and legislative changes

The markets in which the Company and its subsidiaries operate are highly regulated, with regulation and legislation defining the overall framework for the design, marketing and distribution of products; the acceptance and administration of business; and the prudential capital that regulated companies should hold. Legislation and government fiscal policy can also influence the period of retention of products and required reserves for future liabilities. The prominence of the risk increases where change is implemented without prior engagement with the asset management sector. Additionally, as the LGIM Division operates within a global market, there is a continuing international dimension which brings with it exposure to the effects of regulatory and legislative change in Europe and other overseas markets. Fundamental changes in regulation, such as those that may arise from market events, may also impact strategies.

The Company is supportive of regulation in the markets in which it operates as a means to build trust and confidence in the industry. The Company remains vigilant of the risk that future legislative and regulatory change may have unintended consequences for the sectors in which it operates. The Company seeks to actively participate with Government and regulatory bodies to assist in the evaluation of change so as to develop outcomes that meet the needs of all stakeholders. Internally, the Company evaluates the impact of all legislative and regulatory change as part of its formal risk identification and assessment processes, through the Executive Risk Committee and the Company's Board. The Company cannot, however, completely eliminate the risks that controls may fail or that historic accepted practices may be reappraised by regulators, which could result in regulatory sanctions.

Operational resilience

The Bank of England (BoE) and FCA are focused on operational resilience, and there are new developing expectations being set out through a series of papers early in 2020. Operational resilience brings together the risks associated with managing outsourcing, technology risk, business process risk, business continuity and incident management – the combination of these topics means that risk frameworks, governance and reporting must be all aligned around the new priorities and be efficient.

The LGIM Division has a programme of work to address the requirements spelt out in the joint papers, including understanding its tolerance for technology incidents, aligning the requirements into existing governance and reviewing all existing parts of the risk framework (e.g. outsourcing) in this new context.

With respect to Covid 19 Coronavirus, we are exposed to the risk of disruption to our business operations should our employees or those who work in our supply chains become unwell, and from restrictions on travel that are put in place. We have already taken action to support the resilience of our business operations and continue to closely monitor new risk factors as they emerge to ensure an appropriate response.

Counterparty and third party failure risk

The LGIM Division and its client funds are exposed to default risk in respect of the issuers of corporate debt and financial instruments, through money markets and as part of its banking arrangements. Counterparty risk may also arise in the investment settlement process and from custodian, collateral global clearing and stock lending activities. Third party risk arises with regard to reliance upon external suppliers of certain administration and IT development services.

The LGIM Division seeks to limit the potential exposure to loss from counterparty and third party failure through financial strength based pre-selection criteria for those counterparties with which the Group will do business and the setting of pre-defined risk based limits on concentrations. This includes a number of defined policies and procedures covering different types of counterparty exposure. Service providers are also subject to rigorous selection criteria. However, in extreme conditions an event causing widespread default may impact the Group's profitability, whilst the loss of critical suppliers may impact operational effectiveness.

Failure to maximise opportunities

The markets in which the LGIM Division operates are subject to change, and significant changes require the review and realignment of elements of our business strategy. A failure to understand the business implications of an upcoming change and to develop or to effectively execute appropriate strategic realignments may impact the achievement of short- and long-term business objectives.

The nature of the products and structures in which pension and investment clients choose to invest their assets are influenced by a number of factors outside the immediate control of the LGIM Division, including government policy, taxation, competitor activity, social conditions, distribution models and the general economic environment. Uncertainty in any of these factors may have a detrimental effect on the markets in which the LGIM Division operates and potential earnings. In particular, significant changes in government policy that relate to pension provision or significant price pressure from competitors may lead to a re-assessment by clients and consultants as to how their future investment activity should be delivered and result in significant moves of assets away from the LGIM Division.

There remains considerable uncertainty as to the long term growth of the UK defined benefit pension market, and the format of consultant led vehicles continues to come under threat from a platform based model, fiduciary management and the need to provide more flexible workplace pension solutions. This has continued in 2019 and has been accompanied by on-going fee pressure in key markets. The Company continues to monitor closely government, industry and competitor activity. Many of the current strategic initiatives, including the development of a range of income generating funds and developing a platform-friendly defined contribution product, are aimed at ensuring that the Company can continue to offer products demanded by its core client base.

As has been seen in other business sectors, it is possible that alternative digitally enabled providers of financial service products will emerge with lower cost business models or innovative service propositions and capital structures, disrupting the current competitive landscape.

Operational and reputational risk
The Company and its subsidiaries operate within a framework of internal controls to minimise the risk of unanticipated loss or reputation damage. However, no system of internal control can completely eliminate the risk of error and financial loss. Poor or inefficient business processing can also lead to increased cost and operational errors with associated reputational damage and loss of assets.

The LGIM Division's long term Future Platform Initiative (FPI) that has the aim of embedding a number of strategic initiatives to enhance the Division's infrastructure, continues to deliver significant improvement to the control environment. The Company continues to undertake significant investment in system capabilities and business processes to meet the expectations of customers and regulators; comply with regulatory, legal and financial reporting requirements; and mitigate the risks of loss or reputational damage from operational risk events. To deliver this, a number of change initiatives are being implemented as part of the wider FPI programme.

The LGIM Division has a well-established and embedded risk governance model that seeks to ensure that business management is actively engaged in ensuring an appropriate control environment for managing the risks inherent in the business. The Risk function led by the Chief Risk Officer provides both expert advice and guidance on the required control environment, together with objectively challenging the way risks are being managed. Additional resources are now being put into these teams, and ways of working challenged internally. The Internal Audit function, which reports to both the Company and L&G Group Audit Committees, provides independent assurance on the adequacy and effectiveness of controls.

The LGIM Division is also continuing to develop its change framework to manage the implementation risks associated with the development of the business. This is being restructured to support the delivery of the FPI initiative. The LGIM Division also has a robust cost control framework where all cost initiatives and change programmes are reviewed and prioritised by a governance committee and the costs monitored by finance specialists.

Cyber crime
As the Company and its business partners increasingly digitalise operations, there arises inherent exposure to the risk that third parties may seek to disrupt on-line business operations, steal customer data or perpetrate acts of fraud using digital media. A significant cyber event could result in reputational damage and financial loss.

The financial services sector has seen attempts by third parties to seek and exploit perceived vulnerabilities in IT systems. Potential threats include denial of service attacks, network intrusions to steal data for the furtherance of financial crime, and the electronic diversion of funds.

The Company is focused on maintaining a robust and secure IT environment that protects customer and corporate data and minimises the potential for the perpetration of criminal acts. Processes exist to evaluate the security of systems and proactively address emerging threats. A detailed project to enhance Identity Access Management is now being implemented.

By Order of the Board

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R Sears
for and on behalf of Legal & General Co Sec Limited
Company Secretary

Date: 4/27/2020

LEGAL & GENERAL INVESTMENT MANAGEMENT (HOLDINGS) LIMITED

DIRECTORS' REPORT

The Directors present their annual report together with the audited financial statements of the Company for the year ended 31 December 2019. A business review and principal risks and uncertainties disclosure is made in the Strategic Report on pages 2-10.

Results for the year and dividend

The profit after tax attributable to equity holders for the year is £176.4m (2018: £294.1m). Interim dividends of £207.0m were declared and paid in 2019 (2018: £180.0m). In addition, a final dividend of £62.0m was also declared (2018: £70.7m). Details of the dividends are set out in Note 12.

Events after the reporting period

At the date of this report, the Company is taking the coronavirus threat to its clients, vendors, staff and overall business very seriously. Whilst there are many unknowns at the time of writing, it is clear that the extent and nature of the impacts to the Company and wider will be determined by both the number of people infected, national and individual responses as well as our own preparedness for the now likely impacts to business continuity.

The LGIM Division is taking proactive action in line with the wider L&G Group and is activating business continuity plans to minimise the risk of disruption to business operations, taking account of Government advice and the need to safeguard the health of our work force.

The coronavirus threat increases market risk. A reduction in the value of assets under management (AUM) that the LGIM Division manages on behalf of clients will reduce the level of revenue earned by its subsidiaries and ultimately impact the profitability. However, a number of mitigating factors are in place including:

A diverse asset base across equities, fixed income and other asset classes,
Strong profit margins allowing the LGIM Division sufficient headroom to absorb revenue reductions while remaining profitable.
Rate cards with many suppliers being driven by assets under management, allowing any reduction in revenue to be partially offset by reduced costs.
The ability to flex discretionary spend including bonus payments, marketing costs and project spend to offset revenue reductions.

The potential financial impact of the coronavirus threat is being closely monitored across the LGIM Division.

Going Concern

No material uncertainties that cast significant doubt about the ability of the Company to continue as a going concern have been identified by the directors.

Directorate

The Directors of the Company, who served during the year and up to the date of signing the financial statements, together with their dates of appointment and resignation, where applicable, are shown below:

- R Lee — Appointed 18 January 2019
- N D Wilson
- M J Zinkula — Resigned 10 July 2019
- S G Boylan — Resigned 18 January 2019

•	M S Scrimgeour	Appointed 09 September 2019

Non-Executive Directors:

•	S Fraser	
•	K M Gallagher	
•	J O F Kingman (Chairman)	Resigned 10 July 2019
•	L M S Knox	Appointed 03 July 2019
•	M Jordy	Appointed 04 June 2019

Employees

It is the Company's policy to treat its employees without discrimination and to operate equal opportunity and employment practices designed to achieve this end. Furthermore, it is the Company's policy to give full and fair consideration to applications for employment made by disabled persons, to continue, wherever possible, the employment of staff members who become disabled and to provide equal opportunities for the training and career development of disabled employees.

Consultation with employees or their representatives has continued at all levels, with the aim of ensuring that their views are taken into account when decisions are made that are likely to affect their interests and that all employees are aware of the financial and economic performance of their business units and of the Company as a whole. Employees are remunerated with packages designed to align the interests of employees with those of shareholders, with an appropriate portion of total remuneration dependent on performance. Communication with all employees continues through the intranet and newsletters, briefing groups and the distribution of the financial statements.

Directors' insurance

The immediate and ultimate parent company, Legal & General Group Plc maintains an appropriate level of Directors' and Officers' liability insurance, which is reviewed annually. As permitted by the Articles of Association, the directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force.

Legal & General Group Plc and its global subsidiaries ("Legal & General") recognise that companies have an obligation to ensure that their business and supporting supply chains are slavery free.

Legal & General's full modern slavery statement can be found at;
https://www.legalandgeneralgroup.com/

Independent auditors

A resolution to reappoint the auditors, KPMG LLP, who have expressed their willingness to be reappointed, will be proposed at the Annual General Meeting of Legal & General Group Plc

Statement of Directors' Responsibilities

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework.*

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

select suitable accounting policies and then apply them consistently;

make judgements and estimates that are reasonable and prudent;

state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;

assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and

use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Statement of disclosure of information to auditors

Each of the directors, who held office, at the date the Directors' Report is approved, confirms that:

so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and

the director has taken all the steps that the director ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

By Order of the Board

DocuSigned by:

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R Sears
for and on behalf of Legal & General Co Sec Limited
Company Secretary

Date: 4/27/2020

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LEGAL & GENERAL INVESTMENT MANAGEMENT (HOLDINGS) LIMITED

Opinion

We have audited the financial statements of Legal & General Investment Management (Holdings) Limited ("the company") for the year ended 31 December 2019 which comprise the statement of comprehensive income, statement of financial position, statement of changes in equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;

have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and

have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

we have not identified material misstatements in the strategic report and the directors' report;

in our opinion the information given in those reports for the financial year is consistent with the financial statements; and

in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or

the financial statements are not in agreement with the accounting records and returns; or

certain disclosures of directors' remuneration specified by law are not made; or

we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on pages 12-13, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
LEGAL & GENERAL INVESTMENT MANAGEMENT (HOLDINGS) LIMITED

DocuSigned by:
Jatin Patel
517E362A78FB40A...

Jatin Patel (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL
30 April 2020

LEGAL & GENERAL INVESTMENT MANAGEMENT (HOLDINGS) LIMITED

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2019

	Note	2019 £m	2018 £m
Revenue		**438.2**	407.9
Administrative expenses		**(502.7)**	(422.6)
Other Income		**231.5**	297.8
Investment gains	6	**-**	6.9
Operating profit		**167.0**	290.0
Finance and similar (expenses)/income	7	**(2.9)**	1.2
Foreign exchange gains		**0.4**	0.9
Profit on ordinary activities before taxation	5	**164.5**	292.1
Tax credit on profit on ordinary activities	13	**11.9**	2.0
Profit and total comprehensive income for the year		**176.4**	294.1

There was no other comprehensive income other than that included in the above Statement of Comprehensive Income.

LEGAL & GENERAL INVESTMENT MANAGEMENT (HOLDINGS) LIMITED

STATEMENT OF FINANCIAL POSITION
As at 31 December 2019

	Note	2019 £m	2018 £m
Non-current assets			
Intangible assets	14	**88.1**	85.6
Tangible assets	15	**91.0**	16.5
Investments	17	**700.5**	691.8
Deferred tax asset	16	**4.3**	2.7
Total non-current assets		**883.9**	796.6
Current assets			
Debtors	18	**40.1**	146.1
Cash and cash equivalents	19	**43.0**	154.3
Total current assets		**83.1**	300.4
Total assets		**967.0**	1,097.0
Equity			
Called up share capital	22	**50.9**	50.9
Share premium account		**450.0**	450.0
Retained earnings		**104.2**	196.8
Total Equity		**605.1**	697.7
Current liabilities	20	**282.5**	383.2
Non-current liabilities	21	**79.4**	16.1
Total liabilities		**361.9**	399.3
Total equity and liabilities		**967.0**	1,097.0

The notes on pages 20 to 47 form an integral part of these financial statements. The financial statements on pages 2 to 55 were approved by the board of directors and signed on its behalf by:

DocuSigned by:
Richard Lee
D35A33D8FFBF467...

M S Scrimgeour
Director

R Lee
Director

Legal & General Investment Management (Holdings) Limited
Registered in England & Wales No. 4303322

Date: 4/27/2020

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2019

	Note	Called Up Share Capital £m	Share Premium £m	Retained Earnings £m	Total Equity £m
Balance at 1 January 2019		**50.9**	**450.0**	**196.8**	**697.7**
Profit for the year and total comprehensive income		-	-	**176.4**	**176.4**
Dividends	12	-	-	**(269.0)**	**(269.0)**
Balance at 31 December 2019		**50.9**	**450.0**	**104.2**	**605.1**

	Note	Called Up Share Capital £m	Share Premium £m	Retained Earnings £m	Total Equity £m
Balance at 1 January 2018		50.9	450.0	112.9	613.8
Profit for the year and total comprehensive income		-	-	294.1	294.1
Capital Contribution	23	-	-	40.5	-
Dividends	12	-	-	(250.7)	(250.7)
Balance at 31 December 2018		**50.9**	**450.0**	**196.8**	**697.7**

1. Accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. The Company has selected accounting policies which state fairly its financial position and financial performance for the reporting period. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Reporting entity

The Company is a limited company, incorporated and domiciled in the United Kingdom. The address of its registered office is One Coleman Street, London, United Kingdom, EC2R 5AA.

(b) Basis of Preparation

The financial statements have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS101) and with the Companies Act 2006. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings and financial assets and financial liabilities at fair value through profit and loss.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS101:

Paragraphs 45(b) and 46 to 52 of IFRS 2, 'Share-based payment' (details of the number and weighted-average exercise price of share options, and how the fair value of goods or services received was determined)

IFRS 7, 'Financial Instruments: Disclosures'

Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities)

Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information requirements in respect of:
(i) paragraph 79(a)(iv) of IAS 1;
(ii) paragraph 73(e) of IAS 16 Property, plant and equipment
(iii) paragraph 118(e) of IAS 38 Intangible assets (reconciliations between the carrying amount at the beginning and end of the period)

The following paragraphs of IAS 1, 'Presentation of financial statements':
- 10(d), (statement of cash flows)
- 10(f) (a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements),
- 16 (a statement of compliance with all IFRS),
- 38A (requirement for minimum of two primary statements, including cash flow statements),
- 38B-D (additional comparative information),
- 40A-D (requirements for a third statement of financial position), and
- 111 (cash flow statement information)

1. Accounting policies (continued)

IAS 7, 'Statement of cash flows'

The requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15, 'Revenue from Contracts with Customers'.

Paragraph 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective)

Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation)

The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group.

All amounts have been rounded to £0.1m unless otherwise indicated.

Going Concern

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future.

In preparing these financial statements, the directors have considered the uncertainty created by Covid 19. Whilst there are many unknowns at the time of writing, it is clear that the extent and nature of the impacts to the Company and wider Group will be determined by the number of people infected, national and individual responses as well as our own preparedness for the impact on business continuity.

The LGIM Division is taking proactive action in line with the wider L&G Group and is activating business continuity plans to minimise the risk of disruption to business operations, taking account of Government advice and the need to safeguard the health of our work force.

The directors have performed cash flow forecasts for a period of at least 12 months from the date of approval of these financial statements which take account of reasonably possible downsides in relation to AUM flows, market movements and costs. In all scenarios, the Board is satisfied that the Company remains well capitalised and has sufficient current and forecast liquidity.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis. A summary of the key policies are set out below.

Consolidation

The Company is a wholly owned subsidiary of Legal & General Group Plc. It is included in the consolidated financial statements of Legal and General Group Plc, which are publically available. Therefore, the Company is exempt by virtue of section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements.

These financial statements are separate financial statements.

1. Accounting policies (continued)

(c) New standards, interpretations and amendments to published standards that have been adopted by the Company.

(i) IFRS 16 – 'Leases'

IFRS 16, 'Leases', issued in January 2016, became effective from 1 January 2019, and replaced all previous lease requirements and guidance under IFRS, including IAS 17, 'Leases', IFRIC 4, 'Determining Whether an Arrangement Contains a Lease', SIC-15, 'Operating Leases – Incentives' and SIC-27, 'Evaluating the Substance of Transactions in the Legal Form of a Lease'. IFRS 16 requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts, bringing many commitments in relation to operating leases (as previously defined in IAS 17) onto the balance sheet.

The Company has adopted IFRS 16 by using the modified retrospective approach and did not restate comparative financial information. At the date of the initial application the Company recognised a lease liability and a right-of-use asset of an equal amount (adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the Company Consolidated Balance Sheet immediately before the date of initial application), as allowed by the standard.

Additionally the Company elected to apply the standard to contracts that were previously identified as leases applying IAS 17 and IFRIC 4, 'Determining whether an arrangement contains a Lease'. On transition, the Company therefore did not apply the standard to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4.

On implementation, the lease liability was equal to the fair value of the right of use asset. Subsequently the asset will be amortised over the life of the contract whilst the lease liability will be unwound over the term of the lease giving rise to an interest expense.

On transition to IFRS 16, the Company recognised additional right –of-use assets and additional lease liabilities. The impact on the transition is summarised below.

	01 January 2019
	£m
Carrying Amount	-
Right-of-use asset	92.4
Leases liabilities	(92.4)

Right-of-use assets include head office accommodation and technology. More information can be found within note 25.

(ii) Amendments to IAS 19 – Employee Benefits

These amendments were issued in February 2018. The amendments require entities to use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement; they also clarify how the requirements for accounting for a plan amendment, curtailment or settlement affect the asset ceiling requirements. This Interpretation did not have any material impact on the Company's financial statements.

1. Accounting policies (continued)

(iii) Annual Improvements to IFRS Standards 2015-2017 Cycle

These improvements were issued in December 2017 and consist of minor amendments affecting IFRS 3 'Business combinations', IFRS 11, 'Joint arrangements', IAS 12, 'Income taxes' and IAS 23, 'Borrowing costs'. These amendments do not have any material impact on the Company's financial statements.

(iv) Amendments to IAS 28 – Investments in Associates and Joint Ventures

These amendments, titled 'Long-term Interests in Associates and Joint Ventures', were issued in October 2017. The amendments clarify the accounting for long-term interests in an associate or joint venture, which in substance form part of the net investment in the associate or joint venture, but to which equity accounting is not applied. These amendments do not have any material impact on the Company's consolidated financial statements.

(v) IFRIC interpretation 23 - Uncertainty over Income Tax Treatments

IFRIC 23, 'Uncertainty over Income Tax Treatments' was issued in June 2017. The Interpretation clarifies the application of recognition and measurement requirements in IAS 12, 'Income Taxes' when there is uncertainty over income tax treatments. The implementation of IFRIC 23 did not have a significant impact on the Company's financial statements.

Standards not yet applied

Certain standards, amendments and interpretations to existing standards have been published which will become mandatory for future accounting periods but which the Company has not adopted early as follows:

(i) Amendments to IAS 1 – Presentation of Financial Statements and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors

These amendments, issued in October 2018, clarify the definition of 'material', and align the definition used in the Conceptual Framework and the standards themselves. The amendments are effective for annual reporting periods beginning on or after 1 January 2020, subject to EU endorsement. The Company does not expect the impact to be significant.

(ii) Amendments to References to the Conceptual Framework in IFRS Standards

These amendments, issued in March 2018, update the current conceptual framework with the aim to assist preparers of financial reports to develop consistent accounting policies for transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2020, subject to EU endorsement. The Company does not expect the impact to be significant.

(iii) Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)

These amendments, issued in September 2019, modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainty caused by the IBOR reform. The amendments are effective for annual reporting periods beginning on or after 1 January 2020, subject to EU endorsement. The Company does not expect the impact to be significant.

1. Accounting policies (continued)

(iv) Amendments to IFRS 3 – Business combinations

These amendments, issued in October 2018, are effective for business combinations for which the acquisition date is on or after 1 January 2020. The amendments provide more guidance on the definition of a business. The Company does not expect the impact to be significant.

(v) Amendments to IAS 1 – Presentation of Financial Statements

These amendments, issued in January 2020, clarify the existing requirements for classifying liabilities as current or non-current. The amendments are effective for annual reporting periods beginning on or after 1 January 22, subject to EU endorsement. The Company does not expect the impact to be significant.

(d) Intangible assets

Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the company are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use it or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development and employee costs. Development expenditure that does not meet this criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Costs associated with maintaining computer software programmes are recognised as an expense when incurred.

Computer software development costs recognised as assets are amortised on a straight line basis over estimated useful lives of between 5-10 years. The Company reviews the carrying value of its intangibles at each balance sheet date. Where there has been an indication that impairment has occurred, the carrying value is reduced through a charge to the Statement of Comprehensive Income.

(e) Tangible fixed assets and depreciation

Tangible fixed assets are stated at historic cost less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Depreciation is calculated to write off the cost of tangible fixed assets, less their residual values, over their expected useful lives using the straight line basis. Immaterial items of capital expenditure are charged to the Statement of Comprehensive Income as incurred.

1. Accounting policies (continued)

The Company reviews the carrying value of its tangible fixed assets at each balance sheet date. Where there has been an indication that impairment has occurred, the carrying value is reduced through a charge to the Statement of Comprehensive Income.

Straight line annual rates of depreciation most widely used are:

Long Leasehold Improvements	5% per annum
Technology	20-33% per annum
Furniture, Fixtures and Fittings	33% per annum

Freehold land is not depreciated.

(f) Revenue
Revenue is stated excluding Value Added Tax and represents management fees from group undertakings. Management fees are recognised on an accruals basis.

(g) Dividend income
Dividends receivable from subsidiaries are recognised when declared by the subsidiary boards and settled for interim dividends and once approved for final dividends. All other investment income is recognised on an accruals basis.

(h) Expenses
Administrative expenses include staff, administration and systems costs and are included on an accruals basis.

(i) Subsidiary undertakings
Investments in subsidiary undertakings are recorded at cost plus incidental expenses less any provision for impairment. Impairment reviews are carried out as disclosed within Note 1(p).

(j) Foreign currencies
Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates ('the functional currency'). The financial statements are presented in 'Pounds Sterling' (£), which is also the Company's functional currency. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. All other foreign exchange gains and losses are presented in the income statement within 'Foreign exchange gains/(losses) and similar charges'.

(k) Taxation
The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in shareholders' funds. In this case, the tax is also recognised in other comprehensive income or directly in shareholders' funds respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company operates and generates taxable income.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; or arise from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

(l) Pension costs
Legal & General Group Plc operates both defined benefit and defined contribution pension schemes for UK employees. In respect of the former, no contractual agreement or stated policy exists for charging to individual group entities the net defined benefit cost for the plan as a whole. Therefore, in line with IAS 19, 'Employee Benefits' the Company recognises the costs of its pension schemes against operating 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.

(m) Share based payments
The Legal & General Plc Group operates a number of share-based payment schemes, of which a share is allocated to the Company. The fair value at the date of the grant of the equity instrument is recognised as an expense, spread over the vesting period of the instrument. The total amount to be expensed 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 Group revises its estimate of the number of equity instruments which are expected to become exercisable.

The Company expense arising from the employee share schemes has been allocated to reflect the amount of services received. This allocation has been based on headcount.

(n) Provisions for employee bonuses
The Company operates bonus schemes based on past performance. Provisions are recognised for future bonus payments when the Company has a present obligation resulting from past employee performance, and it is probable that the Company will be required to settle that obligation. These provisions are measured at the director's best estimate of the expenditure required to settle the obligation at the balance sheet date.

The Company also operates a long term incentive plan. The fair value of the award granted is recognised as an employee expense and spread over the period during which employees become unconditionally entitled to the award. The profit and loss charge is adjusted to reflect expected and actual levels of vesting based on cumulative profits and performance.

(o) Financial assets
On initial recognition, financial assets are measured at fair value. Subsequently, they can be measured at amortised cost, fair value through other comprehensive income (FVOCI) or fair value through profit and loss (FVTPL). The Company does not currently hold financial assets at FVOCI.

The classification depends on two criteria:

(i) the business model within which financial assets are managed; and

(ii) their contractual cash flow characteristics (whether the cash flows represent 'solely payments of principal and interest' (SPPI)).

A debt instrument is measured at amortised cost if it meets the following conditions:

(i) it is held within a business model that has an objective to hold financial assets to collect contractual cash flows; and

(ii) the contractual terms of the financial asset result in cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI).

Financial assets which fail the SPPI test are classified and measured at FVTPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at FVOCI, debt instruments may be designated at FVTPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

The fair values of quoted financial investments are based on current bid prices. If the market for a financial investment is not active, the Company establishes fair value by using valuation techniques such as recent arm's length transactions, consensus market pricing, reference to similar listed investments or discounted cash flow models.

Debtors are measured at fair value plus acquisition costs. Loans to group undertakings are classified as debtors when they are repayable on demand and/or due to terminate within one year of the reporting date.

(p) Impairment
For financial assets held at amortised cost, the Company reviews the carrying value of its assets at each balance sheet date. Where applicable, the Company determines forward looking expected credit losses (ECL), based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive.

The Company measures loss allowance at an amount equal to lifetime ECLs, except for debt securities that are determined to have low credit risk at the reporting date and other debt securities for which credit risk has not increased significantly since initial recognition. In these cases, ECLs are based on the 12-month ECL, which is the ECL that results from a possible default up to 12 months after the reporting date. The Company uses relevant quantitative and qualitative information and analysis based on historical experience, and informed credit assessment including forward-looking information in order to evaluate the credit-worthiness of each security at each reporting date, to determine whether a significant increase in credit risk since origination occurred. ECLs are calculated by considering the probability of default (PD), the loss given default (LGD) and the exposure at default (EAD).

The Company reviews the carrying value of its investment subsidiary undertakings, intangibles and tangible fixed assets at each balance sheet date. Where there has been an indication that impairment has occurred, the carrying value is reduced through a charge to the profit and loss account.

(q) Dividends paid
A dividend distribution to the Company's shareholders is recognised as a liability in the period in which the dividends are no longer at the discretion of the Company.

(r) Cash and cash equivalents
Cash and cash equivalents includes cash in hand, demand deposits (including those held with banks and via Legal & General Finance PLC, the Group's Treasury function) and any other short-term liquid investments with original maturities of three months or less.

2. Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

(i) Tangible and intangible assets
When calculating the useful life of tangible assets, the Company estimates the period over which an asset is expected to be available for use, based on the asset and past performance. This may not be the same as the physical life of the asset. Tangible and intangible assets are reviewed for impairment in line with the impairment accounting policy above and adjustments are made where required.

The Company recognises intangible assets relating to computer software. The Company estimates the expected useful life of the intangible assets when calculating the value at the balance sheet date. Computer software development costs recognised as intangible assets are amortised on a straight line basis over their estimated useful lives, which is estimated to be between 5-10 years.

3. Risk Management

(a) Financial Risk
The objectives, policies and approach to financial risk management are outlined within the unaudited Pillar 3 disclosure on page 48.

(b) Market Risk
Market risk is the risk that the Company is exposed to loss as a direct or indirect result of fluctuations in the value of, or income from, specific assets. The Company's income is all derived from recharges from other Group companies or income on cash deposits, and therefore, there is minimal impact of market risk. The underlying revenue of the Group companies from which recharges arise is linked to the movements in the market value of reference assets held on behalf of customers.

(c) Credit Risk
Credit risk is the risk that the Company is exposed to loss if another party fails to perform its financial obligations to the Company. Credit risk is not sought by the Company in its own right. Credit risk is managed through the setting and regular review of detailed counterparty credit and concentration limits. Compliance with these limits for investment and treasury transactions is monitored daily.

3. Risk Management (continued)

(d) Liquidity Risk
Liquidity risk is the risk that the Company, though solvent, either does not have sufficient financial resources available to enable it to meet its obligations as they fall due, or can secure them only at excessive costs. Liquidity is not a material risk for the Company as income comes entirely from other Group companies via a recharge. Excess liquidity is held in cash instruments via Group Treasury and is repayable on demand.

(e) Foreign Exchange Risk
Foreign exchange risk is the risk that the Company may incur significant losses in relation to exchange rate fluctuations on cash held in foreign currencies and/or payables to and receivables from other Group companies. Foreign exchange risk is not considered a material risk for the Company as cash held in foreign currencies is maintained at an immaterial level and reviewed on a daily basis. Trade payables and receivables to be settled in foreign currencies currently represent an immaterial proportion of the total trade payables and receivables shown on the statement of financial position.

4. Revenue

Revenue and pre-tax profit is mainly attributable to management fees arising from the Company's activities as provider of staff, systems and services to its investment management subsidiaries.

5. Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:

	2019	2018
	£m	£m
Amortisation of tangible assets (note 15)	**16.0**	4.8
Amortisation of intangible assets (note 14)	**10.4**	18.9
Operating lease charges	-	9.4

Fees payable to the Company's auditors for the audit of the Company's financial statements were £77,799 (2018: £81,499). The disclosure of fees payable to the auditors and its associates for other non-audit services has not been made because this has been disclosed in the consolidated financial statements of the Company's ultimate holding company.

Amortisation balances above do not include impairments of tangible and intangible assets. These are disclosed within notes 14 and 15.

6. Investment gains

	2019	2018
	£m	£m
Investment impairment	-	(0.8)
Fair value gain	-	7.7
Investment gains	-	6.9

6. Investment gains (continued)

Following an impairment review at 31 December 2018, the Company recognised an impairment of £0.8m in relation to the carrying value of its investment in the wholly owned subsidiary, LGIM International Limited. No impairments were recognised in 2019.

The Company recognised a fair value gain of £Nil (2018 - £7.7m) in relation to its investment in Smart Pension Limited. The closing carrying value of this investment was £16.0m.

7. Finance and similar (expenses)/income

	2019 £m	2018 £m
Interest received from related parties	**0.8**	1.2
Lease interest expense	**(3.7)**	-
Finance and similar (expenses)/income	**(2.9)**	1.2

8. Staff Costs

The monthly average number of persons employed by the Company during the year was as follows:

By activity	2019	2018
Central Services	**172**	157
Fund management	**328**	299
IT	**295**	218
Operations	**388**	353
Sales and marketing	**300**	288
Full time equivalent	**1,483**	1,315

The total costs of staff both directly employed by and working for the company are as follows:

	2019 £m	2018 restated £m
Wages and salaries	**170.0**	154.0
Social security costs	**26.0**	22.1
Other pension costs	**17.1**	15.1
Cost of employee share schemes (Note 10 (f))	**19.4**	17.8
Total staff costs	**232.5**	227.1

The Company operates a Long Term Incentive Plan (LTIP) with the purpose of providing cash bonuses to selected individuals employed by the Company based on the performance of the Company. Benefits under the scheme accrue over a 3 year performance period based on entitlement. The Company recognised total expenses of £2.8m (2018: £5.6m) during the year in relation to the plan.

8. Staff Costs (continued)

Social security costs were restated in 2018 due to the total cost of employee share scheme costs being included in the figure. The figure for 2018 now only includes the social security element of the employee share scheme costs.

9. Directors' emoluments

These figures represent that portion of the Directors' emoluments that are estimated to relate to their services to the Company and its subsidiaries. The Company recharges a portion of these costs to its subsidiaries.

	2019	2018
	£m	£m
Short-term employee benefits	**1.4**	5.7
Post-employment benefits	-	0.1
Other long-term benefits	-	-
Termination benefits	-	-
Share-based incentive awards	**0.8**	2.5
	2.2	8.3
Key Management Personnel	**10**	14

Emoluments relate to salaries, performance bonuses and amounts receivable under long-term incentive schemes. Retirement benefits were accruing to no directors (2018: None) under the defined benefit pension scheme.

No director(s) exercised share options over Legal & General Group Plc during the year (2018: One). The Company made no contributions to defined benefit schemes (2018: Nil) and £Nil to defined contribution schemes during the year (2018: £0.2m).

	2019	2018
Highest paid director:	**£m**	£m
Emoluments	**0.4**	1.7
Share-based incentive awards	**0.5**	1.3
	0.9	3.0

10. Share-based payments

The group provides a number of equity settled share-based long term incentive plans for directors and eligible employees.

(a) Savings related share option scheme (SAYE)

The Savings Related Share Option Scheme (SAYE) allows employees to enter into a regular savings contract over three and/or five years, coupled with a corresponding option over shares of the group. The grant price is equal to 80% of the quoted market price of the group shares on the invitation date. Fair value is calculated using the Black-Scholes model.

The weighted average fair value of each SAYE option granted during the year was 217p (2018: 212p). During the year the Company recognised total expenses of £563,591 (2018: £448,386) related to the

10. Share-based payments (continued)

SAYE scheme. The intrinsic value of vested SAYE options was £16,698 (2018: £6,118) at the year end.

The intrinsic value of a share option is calculated as the current share price less the option price. The options outstanding at 31 December 2019 had a weighted average remaining contractual life of 29 months (2018: 26 months).

(b) Company share option scheme (CSOP)

CSOP options are awarded as part of the share bonus. Fair value is calculated as the market value on the grant date, adjusted to reflect the eligibility for dividend payments.

The fair values of the options granted under the CSOP are estimated using a binomial model, reflecting the historic exercise patterns.

During the year the Company recognised total expenses of £nil (2018: £nil) related to the CSOP. The intrinsic value of vested share options at year end was £2,464 (2018: £nil). The options outstanding at 31 December 2019 had a weighted average remaining contractual life of 99 months (2018: 101 months).

(c) Share bonus plan (SBP)

The Share Bonus Plan (SBP) awards restricted shares, combined awards of CSOP options and restricted shares and combined awards of CSOP options and nil-paid options. With the exception of the Executive Directors of Legal & General Group Plc, recipients of restricted shares are entitled to

both vote and receive dividends. Fair value is calculated as the market value on the grant date, adjusted to reflect the eligibility for dividend payments.

During the year, 5,550,487 shares (2018: 9,875,437 shares) were awarded under the SBP. The weighted average fair value of the shares issued was £2.85 (2018: £2.63). The Company recognised a total expense of £16,169,079 (2018: £15,165,485) relating to the SBP.

(d) Performance share plan (PSP)

Nil Cost Options can be granted to senior managers under the Performance Share Plan (PSP), based upon individual and company performance. Pre the 2014 award, the number of performance shares transferred to the individual at the end of the three year vesting period was dependent on the group's relative Total Shareholder Return (TSR). New performance conditions attached to awards from 2014 result in the number of options that vest being equally dependent on the group's relative TSR and Earnings per Share (EPS)/Dividend per Share (DPS) growth. In addition, the awards vest after the end of the three year performance period and become exercisable in thirds over three, four and five years.

Further changes were made to the performance conditions for awards granted in 2018. The number of options that vest in respect of these awards is equally dependent on the group's relative TSR and EPS growth (subject to Solvency II objectives). The majority of awards vest after the end of the three year performance period and become exercisable in thirds in year three, four and five. Awards granted to Executive Directors and Persons Delivering Managerial Responsibilities vest after three years but any options that vest will not become exercisable until year five.

During the year, 2,469,170 performance shares (2018: 1,050,313) were awarded. The weighted average fair value of the shares issued was 285p (2018: 267p). The Company recognised a total expense of £2,208,982 (2018: £1,823,926) relating to the PSP during the year.

10. Share-based payments (continued)

(e) Employee share plan (ESP)

Under the HMRC tax-advantaged Employee share plan (ESP), permanent UK employees may elect to purchase group shares from the market at the prevailing market price on a monthly basis.

The group supplements the number of shares purchased by giving employees one free matching share for every one share purchased up to the first £20 of the employees' contributions and one free matching share for every two shares purchased with contributions between £20 and £125. There is currently no match on contributions between £125 and £150. From time to time, the group may make a grant of free shares. Both the free and matching shares must be held in trust for three years. The fair value of granted shares is equal to the market value at grant date.

During the year, the Group awarded 871,924 shares (2018: 728,399 shares) under the ESP, of which 268,212 shares (2018: 172,324 shares) were allocated to the Company. The weighted average fair value of the shares awarded was £2.60 (2018: £2.62). Legal & General Investment Management (Holdings) Limited recognised a total expense of £493,120 (2018: £392,401) relating to the ESP during the year.

(f) Total recognised expense

The total recognised expense relating to share based payments in 2019 was £19,434,732 (2018: £17,830,197) before tax, all of which related to equity settled share schemes.

11. Pensions

The Company participates in the following pension schemes in the UK, which are operated by the Group:

- Legal & General Group UK Pension and Assurance Fund (the Fund). The Fund is a defined benefit scheme which was closed to new members from January 1995. The last full actuarial valuation is as at 31 December 2015.
- Legal & General Group UK Senior Pension Scheme (the Scheme). The Scheme is a defined benefit scheme which, with a few exceptions (principally transfers from the Fund), was closed to new members from August 2000 and finally closed to existing members from April 2007. The last full actuarial valuation is as at 31 December 2015.
- Legal & General Group Personal Pension, a defined contribution scheme
- Legal & General Staff Stakeholder Pension Scheme, a defined contribution scheme.

There were no contributions prepaid or outstanding at either 31 December 2019 or 31 December 2018 in respect of these schemes, and the Group has no liability for retirement benefits other than for pensions.

As the Fund and the Scheme are closed to new members, under the projected unit method of valuation, the current service costs will increase as the age profile of active members rises. At 31 December 2019, the Company's estimated outstanding liability was £115m (2018: £192m). The assets of the defined benefit schemes are held in separate trustee administered funds which are subject to annual valuation.

The Fund and the Scheme are multi-employer defined benefit schemes which, as the Company's share of the underlying assets and liabilities cannot be separately identified, have been treated for reporting purposes as defined contribution schemes. Full disclosure regarding the Legal & General defined benefit pension scheme is disclosed in Legal & General Group Plc Annual Report and Financial Statements.

12. Dividends

	Per share 2019 P	Per share 2018 P	**Total 2019 £m**	Total 2018 £m
Dividends for the year	**192.1**	179.1	**269.0**	250.7

Of the dividends declared in the year, £62.0m (2018: £70.7m) was still to be paid at year end.

13. Tax credit on profit on ordinary activities

	2019	2018
Current tax	**£m**	£m
UK corporation tax at 19% (2018: 19%)		
- Current tax (charge)/credit for the year	**9.8**	(0.5)
- Adjustments in respect of prior years	**0.5**	0.6
Total current tax	**10.3**	0.1
Deferred tax		
- Movement in temporary differences	**1.8**	2.0
- Impact of reductions in UK corporate tax rate to 19-17% (2018: 19-17%)	**(0.2)**	(0.1)
Total deferred tax	**1.6**	1.9
Total tax credit	**11.9**	**2.0**

Factors affecting current tax credit for the year:
The tax/ attributable to equity holders differs from the tax calculated at the standard UK corporation tax rate as follows:

	2019 £m	2018 £m
Profit on ordinary activities before taxation	**164.5**	292.1
UK corporation tax at 19% (2018: 19%)	**(31.3)**	(55.5)
Effects of:		
Expenses not deductible for tax purposes	**(0.6)**	(1.5)
Adjustments in respect of prior year's deferred tax	**0.3**	0.5
Adjustments in respect of prior year's current tax	**0.5**	0.6
Non-taxable dividends	**43.2**	56.6
Movement on timing differences at different rates	**(0.2)**	(0.2)
Differences between taxable and accounting investment gains/losses	**-**	1.5
Total tax credited on profit on ordinary activities	**11.9**	2.0

13. Tax credit on profit of ordinary activities (continued)

Tax rates

In the March budget the government announced that the UK corporation tax rate would remain at 19% from 1 April 2020 rather than reducing to 17% as implemented in Finance Act 2016. This change was substantively enacted in March 2020. Deferred tax balances have been measured at 17%, as the rate at which deferred tax balances were expected to unwind at 31 December 2019.

To calculate the current tax on profits, the rate of tax used is 19% (2018: 19%), which is the average rate of Corporation Tax applicable for the year.

14. Intangible assets

Computer Software	Computer Software £m
At 1 January 2019	135.1
Additions	49.8
Impairments	(74.4)
Disposals	-
At 31 December 2019	**110.5**
Accumulated Depreciation	
At 1 January 2019	49.5
Charge for the year	10.4
Impairments	(37.5)
Disposals	-
At 31 December 2019	**22.4**
Net book value at 31 December 2019	**88.1**
Net book value at 31 December 2018	85.6

Computer Software	Computer Software £m
At 1 January 2018	99.4
Additions	35.7
Disposals	-
At 31 December 2018	**135.1**
Accumulated Depreciation	
At 1 January 2018	30.6
Charge for the year	18.9
Disposals	-
At 31 December 2018	**49.5**
Net book value at 31 December 2018	**85.6**
Net book value at 31 December 2017	68.8

14. Intangible assets (continued)

During the year the Company undertook a one-off strategic review of all capitalised project costs in response to Legal & General's Group-wide IT restructuring programme. The review of LGIM's intangible estate was performed to right-size it for future use and make way for the Group-wide IT initiatives in the pipeline. As such £36.9m of existing assets were identified as being no longer in use, no longer driving economic benefit or are being superseded by these IT initiatives and were written off during the year.

15. Tangible assets

	Head Office Accommodation	Long Leasehold Improvements	Technology	Furniture Fixtures and Fittings	Total
Cost	**£m**	**£m**	**£m**	**£m**	**£m**
At 1 January 2019	-	31.4	16.8	0.3	48.5
Additions	66.3	-	26.1	-	92.4
Transfers	-	-	(0.1)	-	(0.1)
Impairments	-	-	(4.0)	-	(4.0)
Disposals	-	-	-	-	-
At 31 December 2019	**66.3**	**31.4**	**38.8**	**0.3**	**136.8**
Accumulated Depreciation					
At 1 January 2019	-	17.5	14.2	0.3	32.0
Charge for the year	7.7	1.8	6.5	-	16.0
Impairments	-	-	(2.2)	-	(2.2)
Disposals	-	-	-	-	-
At 31 December 2019	**7.7**	**19.3**	**18.5**	**0.3**	**45.8**
Net book value at 31 December 2019	**58.6**	**12.1**	**20.3**	**-**	**91.0**
Net book value at 31 December 2018	-	13.9	2.6	-	16.5

15. Tangible assets (continued)

Additions are in relation to right-of-use assets recognised in accordance with IFRS16, see Notes 1 and 25 for more information. The value of these assets is as follows:

	Head Office Accommodation £m	**Technology** £m	**Total** £m
Carrying Amount			
Balance at 1 January 2019	-	-	-
Additions	66.3	26.1	92.4
Depreciation for the period	(7.7)	(6.3)	(14.0)
Carrying amount at 31 December 2019	**58.6**	**19.8**	**78.4**

The impairment of £4m relates to the write off of IT equipment associated with the intangible assets written off as part of the Group-wide review.

	Long Leasehold Improvements £m	Technology £m	Furniture Fixtures and Fittings £m	Total £m
At 1 January 2018	30.6	16.6	0.3	47.5
Additions	0.8	0.2	-	1.0
Disposals	-	-	-	-
At 31 December 2018	31.4	16.8	0.3	48.5
Accumulated Depreciation				
At 1 January 2018	16.0	10.9	0.3	27.2
Charge for the year	1.5	3.3	-	4.8
Disposals	-	-	-	-
At 31 December 2018	17.5	14.2	0.3	32.0
Net book value at 31 December 2018	13.9	2.6	-	16.5
Net book value at 31 December 2017	14.6	5.7	-	20.3

16. Deferred Tax asset

	2019 **£m**	2018 £m
Deferred tax asset	**4.3**	2.7
Total	**4.3**	2.7

Deferred tax asset	**£m**	£m
At 1 January	**2.7**	0.8
Amount credited in profit and loss account for the year	**1.6**	1.9
At 31 December	**4.3**	2.7

The asset in respect of deferred tax consists of the following amounts:		
Excess of depreciation over capital allowances	**1.4**	-
Accelerated deduction for amortisation of intangible assets	**(0.7)**	-
Accounting provisions	**3.6**	2.7
Total	**4.3**	2.7

17. Investments

Non-current investments	**Shares in subsidiary undertakings £m**	**Other investments £m**	**Total £m**
At 1 January 2019	**675.5**	**16.0**	**691.5**
Subscription of shares	**4.0**	**-**	**4.0**
Capital contributions	**5.0**	**-**	**5.0**
At 31 December 2019	**684.6**	**16.0**	**700.5**
At 31 December 2018	675.5	16.0	691.5

The directors believe that the carrying value of the investments at year end is supported by their underlying net assets. No impairments have been recognised in 2019 (2018: £0.8m). Impairment reviews are carried out as disclosed within Note 6.

In September 2019, the company subscribed to 333,350 shares in Legal & General Investment Management Asia Limited at a price of HK$120 per share, a total contribution of HK$40.0m (£4.0m)

Throughout the year, the Company paid gratuitous non-recoverable capital contributions of £5.0m to LGIM International Limited (Mar 2019 - £1.0m), LGIM ETF Managers Limited (May 2019 - £2.2m) and GO ETF Solutions LLP (Dec 2019 - £1.8m).

Subsidiary undertakings
The subsidiary undertakings of the Company are listed below. Each undertaking operates mainly in its country of incorporation and has only one class of issued ordinary shares, all of which are held directly by the Company, or indirectly, via subsidiary entities.

Direct subsidiary undertakings

The direct subsidiary undertakings are listed below

Entity Name	**Company Holding**	**Type**	**Status**	**Address in Place of Domicile**

Legal & General (Caerus) Limited	100%	Investment Management	Dormant	One, Coleman Street, London, EC2R 5AA, United Kingdom
Legal & General (PMC Trustee) Limited	100%	Investment Management	Dormant	One, Coleman Street, London, EC2R 5AA, United Kingdom
Legal & General (Unit Trust Managers) Limited	100%	Investment Fund Manager	Active	One, Coleman Street, London, EC2R 5AA, United Kingdom
Legal & General Investment Management Asia Limited	100%	Investment Management	Active	Room 902, 9th Floor , Chinachem Tower, 34-37 Connaught Road Central, Hong Kong, Hong Kong
Legal & General Investment Management Limited	100%	Investment Management	Active	One, Coleman Street, London, EC2R 5AA, United Kingdom
Legal & General Investment Management United States (Holdings), Inc	100%	Holding Company	Active	Corporation Trust Centre, 1209 Orange Street, Willmington, New Castle, United States.
Legal and General Assurance (Pensions Management) Limited	100%	Insurance	Active	One, Coleman Street, London, EC2R 5AA, United Kingdom
LGIM Corporate Director Limited	100%	Investment Fund Manager	Active	One, Coleman Street, London, EC2R 5AA, United Kingdom
LGIM International Limited	100%	Investment Management	Active	One, Coleman Street, London, EC2R 5AA, United Kingdom
LGIM ETF Managers Limited	100%	Investment Fund Manager	Active	2 Grand Canal Square, Dublin 2, Ireland
LGIM Managers (Europe) Limited	100%	Investment Fund Manager	Active	33/34 Sir John Rogeson's Quay, Dublin 2, Ireland
LGIM Real Assets Limited	100%	Property	Active	One, Coleman Street, London, EC2R 5AA, United Kingdom
Legal & General Investment Management Japan KK	100%	Investment Management	Active	22F Toranomon Kotohira Tower, 1-2-8 Toranomon, Minato-ku , Tokyo, 105-0001, Japan

Indirect subsidiary undertakings

The significant indirect subsidiary undertakings are listed below

Entity Name	**Company Holding**	**Type**	**Status**	**Address in Place of Domicile**

Access Development General Partner Limited	100%	Property	Active	11-15 Seaton Place, St Helier, JE4 0QH, Jersey
Bishopsgate Long Term Property Fund General Partner Limited	100%	Property	Active	12 Castle Street , St Helier Jersey , JE2 3RT, Jersey
BTR Residential Development Company Limited	100%	Property	Active	One, Coleman Street, London, EC2R 5AA, United Kingdom
Chineham General Partner Limited	100%	Property	Dormant	One, Coleman Street, London, EC2R 5AA, United Kingdom
IPIF Trade General Partner Limited (previously FIX-UK General Partner Limited)	100%	Fund General Partner	Active	One, Coleman Street, London, EC2R 5AA, United Kingdom
IPIF Trade Nominee Limited (previously IPIF Trade Nominee Limited)	100%	Property	Active	One, Coleman Street, London, EC2R 5AA, United Kingdom
Latchmore Park Nominee No.1 Limited	100%	Property	Dormant	One, Coleman Street, London, EC2R 5AA, United Kingdom
Legal & General Leisure Fund Trustee Limited	100%	Property	Dormant	One, Coleman Street, London, EC2R 5AA, United Kingdom
Legal & General Property Limited	100%	Property	Active	One, Coleman Street, London, EC2R 5AA, United Kingdom
Legal & General Property Partners (Industrial Fund) Limited	100%	Property	Active	One, Coleman Street, London, EC2R 5AA, United Kingdom
Legal & General Property Partners (Industrial) Nominees Limited	100%	Property	Active	One, Coleman Street, London, EC2R 5AA, United Kingdom
Legal & General Property Partners (Leisure) Limited	100%	Property	Active	One, Coleman Street, London, EC2R 5AA, United Kingdom
Legal & General Property Partners (Life Fund) Limited	100%	Property	Dormant	One, Coleman Street, London, EC2R 5AA, United Kingdom
Legal & General Property Partners (Life Fund) Nominee Limited	100%	Property	Dormant	One, Coleman Street, London, EC2R 5AA, United Kingdom
Legal & General Property Partners (UK PIF Geared) Limited	100%	Property	Active	One, Coleman Street, London, EC2R 5AA, United Kingdom

Legal & General Property Partners (UK PIF) Limited	100%	Property	Active	One, Coleman Street, London, EC2R 5AA, United Kingdom
Legal & General Property Partners (UKPIF Geared Two) Limited	100%	Property	Active	One, Coleman Street, London, EC2R 5AA, United Kingdom
Legal & General Property Partners (UKPIF Two) Limited	100%	Property	Active	One, Coleman Street, London, EC2R 5AA, United Kingdom
Legal & General SICAV	100%	Investment Fund	Active	2-4 Rue Eugene Ruppert, Luxembourg, L - 2453, Luxembourg
LGIM Commercial Lending Limited	100%	Commercial Lending	Active	One, Coleman Street, London, EC2R 5AA, United Kingdom
LGIM Real Assets (Operator) Limited	100%	Property	Active	One, Coleman Street, London, EC2R 5AA, United Kingdom
LGP Newco Limited	100%	Property	Dormant	One, Coleman Street, London, EC2R 5AA, United Kingdom
ND7 Limited	100%	Property	Active	One, Coleman Street, London, EC2R 5AA, United Kingdom
Northampton General Partner Limited	100%	Property	Dormant	One, Coleman Street, London, EC2R 5AA, United Kingdom
Performance Retail (General Partner) Limited	100%	Property	Active	One, Coleman Street, London, EC2R 5AA, United Kingdom
Performance Retail (Nominee) Limited	100%	Property	Dormant	One, Coleman Street, London, EC2R 5AA, United Kingdom
Terminus Road (Nominee 1) Limited	100%	Property	Dormant	One, Coleman Street, London, EC2R 5AA, United Kingdom
Terminus Road (Nominee 2) Limited	100%	Property	Dormant	One, Coleman Street, London, EC2R 5AA, United Kingdom
The Pathe Building Management Company Limited	100%	Property	Dormant	One, Coleman Street, London, EC2R 5AA, United Kingdom
UKPIF Two Founder GP Limited	100%	Property	Active	50 Lothian Road, Festival Square, Edinburgh, EH3 9WJ
Vantage General Partner Limited	100%	Property	Active	11-15 Seaton Place, St Helier , JE4 0QH, Jersey
Atlantic Quay Three Limited	100%	Investment Vehicle	Active	12 Castle Street, St Helier, JE2 3RT, Jersey
Florence building (Basingstoke) Limited	100%	Real Estate	Dormant	One, Coleman Street, London, EC2R 5AA, United Kingdom
Chineham General Partner Limited	100%	Property	Dormant	One Coleman Street, London, EC2R 5AA
Gresham Street	100%	Property	Active	One Coleman Street, London,

General Partner Limited				EC2R 5AA
Legal & General (Unit Trust Managers) Nominees Limited	100%	Investment Management	Non-Trading	One Coleman Street, London, EC2R 5AA
Legal & General Investment Management America Inc.	100%	Investment Management	Active	Corporation Trust Centre, 1209 Orange Street, Wilmington, New Castle, United States.
Legal & General UK PIF Two GP LLP	100%	Property	Active	One Coleman Street, London, EC2R 5AA
PRLP GP LLP	100%	Property	Active	One Coleman Street, London, EC2R 5AA
UK PIF FGP LLP	100%	Property	Active	50 Lothian Road, Festival Square, Edinburgh, EH3 9WJ
Legal & General Property Partners (IPIF GP) LLP	100%	Property	Active	One Coleman Street, London, EC2R 5AA
Legal & General Property Partners (Leisure GP) LLP	100%	Property	Active	One Coleman Street, London, EC2R 5AA
Legal & General GP LLP	100%	Property	Active	One Coleman Street, London, EC2R 5AA
Legal & General UK BTR GP LLP	100%	Property	Active	One Coleman Street, London, EC2R 5AA

Significant holdings in undertakings other than subsidiary undertakings

The significant non subsidiary undertakings of the Company are listed below.

Entity Name	Company Holding	Type	Status	Address in Place of Domicile
Go ETF Solutions LLP	50%	Investment Management	Active	One, Coleman Street, London, EC2R 5AA, United Kingdom
Burgage Square Estate Management Company Limited	33.333%	Property	Active	One, Coleman Street, London, EC2R 5AA, United Kingdom
Cargo 2 Plot Management Company Limited	33.333%	Property	Active	One, Coleman Street, London, EC2R 5AA, United Kingdom
Cargo Commercial Property Limited	33.333%	Property	Dormant	One, Coleman Street, London, EC2R 5AA, United Kingdom
Cargo Plot Management Company Limited	33.333%	Property	Active	One, Coleman Street, London, EC2R 5AA, United Kingdom
Central Saint Giles General Partner Limited	50%	Property	Active	One, Coleman Street, London, EC2R 5AA, United Kingdom

ECF (Canning Town) Limited	33.333%	Property	Active	One, Coleman Street, London, EC2R 5AA, United Kingdom
ECF (General Partner) Limited	33.333%	Property	Active	One, Coleman Street, London, EC2R 5AA, United Kingdom
Millbay Estate Management Company Limited	33.333%	Property	Active	One, Coleman Street, London, EC2R 5AA, United Kingdom
Quadrant Quay Plot Management Company Limited	33.333%	Property	Active	One, Coleman Street, London, EC2R 5AA, United Kingdom
Rathbone Market Management Company Limited	33.333%	Property	Active	One, Coleman Street, London, EC2R 5AA, United Kingdom
Timekeepers Management Company Limited	33.333%	Property	Active	One, Coleman Street, London, EC2R 5AA, United Kingdom
Vimto Gardens Management Company Limited	33.333%	Property	Dormant	One, Coleman Street, London, EC2R 5AA, United Kingdom
245 Hammersmith Road General Partner Limited	50%	Property	Active	One Coleman Street, London, EC2R 5AA, United Kingdom
The St Pauls (building 2 – Internal Parts) Management Company limited	33.333%	Management Company	Non-Trading	One Coleman Street, London, EC2R 5AA, United Kingdom
The St Pauls (building 2) Management Company limited	33.333%	Management Company	Non-Trading	One Coleman Street, London, EC2R 5AA, United Kingdom
The St Pauls Estate Management Company limited	33.333%	Management Company	Non-Trading	One Coleman Street, London, EC2R 5AA, United Kingdom

18. Debtors

	2019 £m	2018 £m
Amounts receivable from Group undertakings	**25.8**	143.8
Other debtors	**1.3**	1.5
Prepayments and accrued income	**2.2**	0.8
Corporation tax receivable	**10.8**	-
Total	**40.1**	146.1

Amounts receivable from Group undertakings include debtors, which are payable on demand, unsecured, and receivable within one year, as well as unsecured loans to Group undertakings which, are repayable on demand or have a termination date within one year. Details of the loans to Group undertakings are noted below:

	Termination Date	Interest rate	2019 £m	2018 £m
Legal & General Investment Management United States (Holdings) Inc.	2019	5.9%	-	10.1
Global Index Advisors Inc.	2019	5.9%	-	11.7
Legal & General Finance PLC	2022	0.8%	-	80.0

The Legal & General Investment Management United States (Holdings) Inc. loan and Legal & General Finance PLC loan were settled in May 2019. The Global Index Advisors Inc. loan was transferred to Legal & General Investment Management America Inc. during the year.

19. Cash and cash equivalents

	2019 £m	2018 £m
Cash at bank	**1.7**	1.4
Cash equivalents	**41.3**	152.9
Total cash and cash equivalents	**43.0**	154.3

Cash equivalents include £41.3m (2018: £152.8m) of monies placed on short-term deposit with a related party, Legal & General Finance PLC. This company acts as a treasury function for the Legal & General Group for the purposes of pooling liquid resources. The money is pooled and invested in short term liquid assets and money market funds. The outstanding balance is repayable on demand without penalty.

Cash equivalents also includes investments held in Liquidity funds of £Nil (2018: £49,421).This investment is valued at FVTPL and the valuation is determined from an openly quoted market price.

20. Current liabilities

	2019 £m	2018 £m
Amounts owed to Group undertakings	**202.5**	306.4
Dividends payable to parent entity	**62.0**	70.7
Corporation tax liability	-	0.4
Other creditors	**1.6**	1.3
Finance lease liability (Note 25)	**15.6**	-
Accruals and deferred income	**1.5**	4.4
Creditors: amounts falling due within one year	**282.5**	383.2

The amounts owed to Group undertakings are unsecured, interest free, and have no fixed date of repayment.

21. Non-current liabilities

	2019	2018
	£m	£m
Accruals and deferred income	**6.8**	8.3
Other creditors	**8.3**	7.8
Finance lease liability (Note 25)	**64.3**	-
Creditors: amounts falling due after more than one year	**79.4**	16.1

Other creditors include the following lease incentive in respect of the operating lease of premises, spread over a total lease period of 8 years. An analysis of the lease incentive is provided as follows:

	2019	2018
	£m	£m
- Within one year	**1.0**	1.0
- Within two to five years	**4.1**	4.1
- Within six to ten years	**2.7**	2.7
Total	**7.8**	7.8

22. Called up share capital

	2019	2018
	£m	£m
Issued : 50,000,001 (2018: 50,000,001) ordinary shares of £1 each, fully paid	50.0	50.0
Issued : 90,000,000 (2018: 90,000,000) ordinary shares of £1 each, 1p paid	0.9	0.9
Called up share capital	**50.9**	50.9

23. Capital contribution

No capital contributions have been received in the current year. In the prior year, the Company received a gratuitous non-recoverable capital contribution of £40.5m from its parent company Legal & General Group Plc.

24. Exchange rates

Principal rates of exchange used for translation into sterling at the end of the year:

	2019	2018

United States Dollar	**1.310**	1.275
Euro	**1.179**	1.112

25. Leases

The table below describes the nature of the group's leasing activities by type of right-of-use asset recognised on the balance sheet

	Head Office Accommodation £m	**Technology** £m	**Total** £m
Carrying Amount			
Balance at 1 January 2019	-	-	-
Additions	66.3	26.1	92.4
Depreciation for the period	(7.7)	(6.3)	(14.0)
Carrying amount at 31 December 2019	**58.6**	**19.8**	**78.4**

Lease contracts are typically entered into for fixed periods ranging from 5 to 20 years. Interest expense of £4.4m on lease liabilities is included in finance cost. Amounts above have also been disclosed as tangible assets in Note 15.

The expense relating to payments not included in the measurement of the lease liability is as follows:

	£m
Short-term leases	0.5

26. Post balance sheet events

At the date of this report, the Company is taking the coronavirus threat to its clients, vendors, staff and overall business very seriously. Whilst there are many unknowns at the time of writing, it is clear that the extent and nature of the impacts to the Company and wider will be determined by both the number of people infected, national and individual responses as well as our own preparedness for the now likely impacts to business continuity.

The LGIM Division is taking proactive action in line with the wider L&G Group and is activating business continuity plans to minimise the risk of disruption to business operations, taking account of Government advice and the need to safeguard the health of our work force.

The coronavirus threat increases market risk. A reduction in the value of AUM that the LGIM Division manages on behalf of clients will reduce the level of revenue earned by its companies and ultimately impact the profitability. However, a number of mitigating factors are in place including:

A diverse asset base across equities, fixed income and other asset classes,
Strong profit margins allowing the LGIM Division sufficient headroom to absorb revenue reductions while remaining profitable.
Rate cards with many suppliers being driven by assets under management, allowing any reduction in revenue to be partially offset by reduced costs.
The ability to flex discretionary spend including bonus payments, marketing costs and project spend to offset revenue reductions.

The potential financial impact of the coronavirus threat is being closely monitored across the LGIM Division. Further information on our approach can be found in the Strategic Report and Directors' Report.

27. Ultimate parent undertaking

The ultimate and immediate parent undertaking is Legal & General Group Plc, a company incorporated in England & Wales, the controlling party which consolidates the financial statements of the Company. These financial statements therefore provide information about the Company as an individual undertaking. Copies of the financial statements of the ultimate parent undertaking, Legal & General Group Plc, are available on the Group website, www.legalandgeneralgroup.com or from the Company Secretary at the Registered Office, One Coleman Street, London, EC2R 5AA.

Background

On the 1 January 2014, CRD IV was implemented which comprises the Capital Requirements Directive (CRD) 2013/36/EU and Capital Requirements Regulation (CRR) 575/2013 of the European Parliament and Council. CRD IV built on existing rules from the European Union Capital Requirements Directive and introduced prudential requirements on the quality of capital that firms were required to hold and introduced harmonised regulatory reporting across the EU. The regulation applies to Banks, Building Societies and Investment firms. The framework consists of three 'pillars':

Pillar 1	**Pillar 2**	**Pillar 3**
Minimum capital requirements	Supervisory review process	Disclosure

The aim is to encourage market discipline, by allowing market participants to assess key pieces of information on a firm's capital, risk exposures and risk assessment processes.

Pillar 1 establishes minimum capital requirements in respect of credit, market and operational risk exposures using standard criteria.

Pillar 2 requires firms to assess the risk exposures specific to their business and to calculate the amount of capital that should be held against those exposures. This has been implemented in the UK by the FCA as the Individual Capital Adequacy Assessment Process ("ICAAP"). FCA rules also establish a supervisory process for the FCA to challenge firms' own assessments of their risk exposures and corresponding capital requirements. The amount of capital a firm is required to hold is the greater of the Pillar 1 and Pillar 2 values.

Pillar 3 requires firms to publicly disclose their policies for managing risk and their capital requirements. This is designed to promote market discipline by providing market participants with key information on a firm's risk exposures and risk management processes.

Scope of application (BIPRU 11.5.2)

For prudential purposes, the Company is the parent financial holding company of a Consolidation Group which includes firms which are subject to the CRD IV and to the "Prudential sourcebook for Banks, Building Societies and Investment Firms" (BIPRU). As a result, the Group is classified as a BIPRU limited-licence 50k consolidated group. The Group consists of the firms detailed within Note 17 of the financial statements, excluding insurance firms, all of which are fully consolidated. There is no current or foreseen material, practical or legal impediment to the prompt transfer of capital resources or repayment of liabilities between the companies and there is no material capital deficiency for the subsidiaries within the Consolidation Group.

As the Company and its subsidiaries are included in the consolidated accounts of the ultimate group parent, Legal & General Group Plc, the Company does not prepare consolidated accounts at this level for accounting purposes.

Risk Management objectives and policies (BIPRU 11.5.1)

The firm's approach to Risk Management is aligned to, and governed by, an overall L&G Group Risk Management Framework, which is outlined in the Risk Management Supplement for 2019, which can be found on the Group's Website at https://www.legalandgeneralgroup.com/investors/results-reports-and-presentations/. Further details may also be found in the L&G Group Solvency and Financial Condition Report, which is also published annually on the Group's Website: https://www.legalandgeneralgroup.com/investors/results-reports-and-presentations/.

The disclosures cover the risk management objectives and policies and include:

The strategies and processes to manage the risks;

The structure and organisation of the relevant risk management function or other appropriate arrangements;

The scope and nature of risk reporting and measurement systems; and,

Policies for hedging and mitigating risk, and the strategies and processes for monitoring the continuing effectiveness of hedges and mitigants.

At the Group level, the Group Board sets the overall appetite for risk; the non-executive led Legal & General Group Risk Committee supports the Board in determining the Group's risk appetite and assessing the Group's significant risk exposures; and executive director led risk committees seek to ensure risks are managed within acceptable tolerances.

The Directors of the Company are of the opinion that the Group's and Company's risk management arrangements are adequate with regard to the firm's risk profile and appetite. The Group's framework enables the Group Board to draw assurance that the risks to which the Group may be exposed are being appropriately identified and managed, and that risks that may present significant financial loss or damage to the Group reputation are being minimised.

All companies within the FCA Consolidation Group comply with the same risk framework. The core elements of which are set out below:

FRAMEWORK	
Risk appetite	Sets out the Group overall attitude to risk, and the ranges and limits of acceptable risk taking.
Risk taking authorities	Cascade the Group risk appetite to the Group business managers and empower managers to make decisions that are consistent with the Group appetite for risk.
Risk policies	Formal policies define the Group approaches to risk management and the necessary control standards to ensure these risks are managed in line with risk appetite.
Risk identification and assessment	Tools that help business managers to identify and evaluate the risks to which the Group may be exposed and formulate appropriate risk mitigation plans.
Risk management information	The Group framework to report and support the review of on-going and emerging risks, and assess actual risk positions relative to the risk targets and limits that the Group set.
Risk oversight	Review and challenge by the group chief risk officer (CRO) team of the effectiveness of the Group risk identification and management processes.
Risk committees	Group level committees that oversee the management of risks and challenge how the risk framework is working.

Capital Resources (BIPRU 11.5.3)

During 2019, the Company has complied with the capital requirements that were in force for the FCA Consolidation Group, which state that the Group must at all times ensure that the consolidated capital resources of the Consolidation Group are equal to or exceed its consolidated capital resources requirement.

In accordance with the FCA's General Prudential sourcebook (GENPRU), chapter 2.1.45R (calculation of variable capital requirement for a BIPRU company), the capital requirement has been determined as being the fixed overhead requirement and not the sum of the credit risk capital requirement and the market risk capital requirement. The Consolidation Group therefore holds sufficient Pillar 1 capital, which would incorporate the fixed overhead requirement, plus any individual capital guidance (ICG) and capital planning buffer as notified by the FCA. As at 31 December 2019, the Consolidation Group holds an excess of £199.0m (2018: £184.0) over the regulatory Pillar 1 capital required.

The table below sets out the key components of capital resources of the Company as at 31 December 2019.

Prudential basis (£m)	Note	2019	2018
Share capital		50.9	50.9
Share Premium		450.0	450.0
Reserves after regulatory adjustments	(i)	367.8	351.7
Deductions from tier one capital	(ii)	(174.9)	(175.3)
Total Tier 1 Capital		693.8	677.3
Upper Tier 2 Capital	(iii)		
Deductions for material holdings	(iv)	(426.2)	(426.2)
Total capital after deductions		267.6	251.1
Pillar 1 capital requirement	(v)	68.6	67.1
Surplus of capital resources		199.0	184.0

(i) The reserves after regulatory adjustments include deductions for deferred acquisition costs/liabilities (GENPRU 1.3.36R).

(ii) Deductions from tier one capital are in respect of intangible assets as per GENPRU 2.2.155R.

(iii) Upper tier 2 capital relates to revaluation reserves on investment property in line with GENPRU 2.2.185R.

(iv) Material holdings are deducted in accordance with GENPRU 2.2.238R and include the Company's investment in Legal and General Assurance (Pensions Management) Ltd (£410.2m), an insurance entity subject to Solvency II, and a minority share in Smart Pension Ltd (£16.0m).

(v) In accordance with GENPRU 2.1.45R (calculation of variable capital requirement for a BIPRU firm), the total capital requirement has been determined as being the Pillar 1 capital requirement, plus any individual capital guidance (ICG) as notified by the FCA and not the sum of the credit risk capital requirement and the market risk capital requirement.

Compliance with rules in BIPRU and Pillar 2 requirements (BIPRU 11.5.4)

The overall approach to assessing the adequacy of the Consolidation Group's internal capital is set out in the Internal Capital Adequacy Assessment Process (ICAAP). The calculations are assessed on a consolidated basis for all companies within the FCA Consolidation Group.

The Pillar 2 approach to capital adequacy requires the Company to review the risks to which it is exposed and calculate the ICAAP, for submission to the FCA. The methodology has been developed to give a structured approach for business areas to perform operational risk stress and scenario tests. A regular assessment is undertaken of the capital required based on the risks noted on the landg.com website, with the results of these assessments reviewed by senior management and at the relevant company's board meetings. This process has demonstrated that operational risk is the most significant risk for the Company. This is in line with risk categories contained in GENPRU 1.2.30R and the guidance in BIPRU 2.2.61-65.

Disclosure of the requirements for specific risk categories

Due to the Company's fixed overhead requirement exceeding the sum of the requirements for exposures to equities, counterparty credit, dilution, market and interest rate risk, disclosures in relation to these have been considered immaterial under BIPRU 11.3.5R.

Remuneration disclosure (BIPRU 11.5.18)

The Company complies with the FCA's Remuneration Code. The remuneration disclosure relates to Code Staff, that is, staff whose professional activities have a material impact on the Company's risk profile. Therefore, this may include staff that are not directors of the Company.

The following disclosures are made in accordance with the requirements of BIPRU 11.5.18, which establishes qualitative and appropriate quantitative criteria to identify categories of staff whose professional activities have a material impact on the Company's risk profile. Quantitative disclosures over remuneration are published annually on the Legal & General Group website www.legalandgeneralgroup.com.

Governance

The Remuneration Committee is empowered by the Board to determine and approve the framework of the remuneration policy of Legal & General Group Plc and its subsidiaries (including international subsidiaries) ('Group') and specifically to manage executive director remuneration and the remuneration of the designated individuals.

The Terms of Reference for the Remuneration Committee can be found on the Group's website (web link below).

https://www.legalandgeneralgroup.com/about-us/corporate-governance/group-board-committees/

The Committee particularly focuses on:

- Determining the individual remuneration for executive directors and for other designated individuals or for those who are discharging a head of control function role;
- Undertaking direct oversight on the remuneration of other high earners in the Company;
- Oversight of the remuneration of Code staff and employees in the control and oversight functions.

The salaries and bonuses of senior employees in 'Control Functions' such as Compliance, Internal Audit, and Risk are reviewed directly by the Remuneration Committee to ensure that they can be independent in their roles.

Remuneration Policy and Strategy

The Group's remuneration policy sets out the framework that is applied across the whole group for the remuneration of staff.

The remuneration policy for the Company is broadly consistent across the Legal & General Group and, in line with the Group's remuneration principles, is designed to reward, motivate and retain high performers in line with the risk appetite of the Company.

Remuneration is considered within the overall context of the group's sector and the markets in which the Company operates. The policy for the majority of employees continues to be to pay around the relevant mid-market range with a competitive package designed to align the interests of employees with those of shareholders, and with an appropriate proportion of total remuneration dependent upon performance.

We define core remuneration as base salary, annual bonus and other benefits such as pension. Key employees are also eligible to participate in the performance share plan (PSP).

More information on the Legal & General Group's remuneration policy can be found on the Group's website (web link below).

https://www.legalandgeneralgroup.com/csr/our-approach/our-policies

Link between pay and performance

Remuneration at Legal & General is made up of fixed pay (base salary, retirement and other benefits) and performance-related pay (consisting of annual bonuses, deferred awards and long-term incentives). Performance related pay is designed to reflect success against a range of performance measures and targets taking into account the businesses performance. Performance related pay accounts for a considerable proportion of total remuneration for the majority of Code Staff.

Annual bonuses

Annual bonuses are designed to reward financial and non-financial performance that supports the business strategy, taking into account the Group's risk appetite and personal contribution in the business context that it was delivered. Targets are specific, measurable, set at the beginning of the year and communicated to employees.

For Code Staff in the control functions (Internal Audit, Regulatory Compliance and Risk), separate performance measures have been designed which exclude any direct linkage to financial performance.

Individual performance assessment is supported by a structured performance management framework. In reviewing an individual's performance against their objectives, the individual's approach to risk management (including environmental, social or governance ('ESG') risks) is considered when determining the overall level of bonus pay-out. The bonus policy allows for zero bonus payments to be made when appropriate.

Deferred bonus

Under the Group-wide deferral arrangements a significant proportion of the annual bonus for senior employees is deferred into Group shares over a three year period. The purpose of the deferral plan is to promote the sustainable long-term performance of the Group and to align the interests of our senior management with our shareholders.

Deferred awards for senior employees may be subject to forfeiture if the performance which led to a bonus being paid is found to be incorrect or in the event of personal misconduct. Annual incentive awards (including any deferred element) are subject to malus and clawback for material risk takers.

Long-term incentives

The Legal & General Group provides long-term incentives which link reward with the long-term success and growth in value. Long-term incentive awards for most staff are conditional on the satisfaction of total shareholder return ("TSR") and either, Dividends Per Share, Earnings Per Share and Return on Equity performance conditions or Earnings Per Share and Solvency II performance, which clearly aligns reward to the interests of shareholders and provides a degree of risk management (TSR reflects both underlying financial performance and the market's assessment of the quality and sustainability of those earnings).

The Committee may exercise its discretion to scale back the vesting of awards if it was felt that the Group's financial performance did not justify the level of vesting (the Committee may not increase the award). The parameters which the Committee uses in making this assessment include market share, partnerships entered into and maintained, cost constraint, capital management, risk and shareholder perception.

Awards under the Group long-term incentive plan are subject to malus and claw-back provisions.

Design and structure of remuneration

Salary and fees

All Code Staff receive either a salary (employees) or fees (non-executive directors) to reflect their experience, skills, competencies and contribution to the Group relative to the market for comparable roles. Legal & General Group seeks to ensure that fixed remuneration is sufficient while generally seeking to pay around a mid-market range.

Benefits

Code Staff receive benefits in line with other employees that includes pension, staff discounts and may include car allowance and private medical insurance. Non-executive directors who are listed as Code Staff do not receive any benefits.

Annual bonuses

All executive Code Staff are eligible to receive an annual bonus. Non-executive Code Staff are not eligible to receive annual bonuses.

Performance is central to the determination of any annual bonus pay-outs. Performance assessment is based on objectives that, where appropriate, are linked to Group or divisional key performance indicators or individual strategic or personal targets.

Overall expenditure on annual bonuses is reviewed by the Remuneration Committee at the end of each year taking into account the performance of the business.

Deferred bonus

The majority of Code Staff are required to defer a portion of their annual bonus into shares in the Group. Executive directors defer 50% of any bonus awarded for three years via the Share Bonus Plan.

Group long-term incentives

The Legal & General Group provides employees in senior roles (executive level and selected senior management) the opportunity to receive annual awards of long-term incentives. The Performance Share Plan ("PSP") permits awards of conditional shares to employees who hold key roles. The Remuneration Committee reviews the quantum of awards made each year to ensure that it is in line with the market. The maximum annual award possible in 2019 was 300% of salary. When making awards, the Remuneration Committee also considers wider factors such as company performance in determining whether to grant at this normal policy level.

The performance measures and weightings applicable to the 2017 awards, assessed over a three year performance period, are as follows:

25% based on TSR performance relative to the FTSE 100.
25% based on TSR performance relative to an insurance peer group.
50% based on a financial matrix of Earnings per Share and Dividends Per Share growth % p.a. A Return on Equity underpin also applies to this element.

Awards are normally released in three equal tranches following the third, fourth and fifth anniversaries of the start of the performance period.

Performance against TSR conditions are independently reviewed by the independent adviser to the Remuneration Committee.

The Committee reviews the measures prior to each award. For the 2018 and 2019 awards the Committee amended the performance measures as follows:

For the 25% of the award measured by TSR performance relative to an insurance peer group - removed St James' Place and Old Mutual from the insurance peer group.
For the 50% of the award measured against financial performance – changed the measures to Earnings Per Share growth with a Solvency II performance underpin.

LGIM LTIP

Between 2007 and 2018, a separate LTIP operated for key staff within LGIM with awards made annually. Prior to 2018, the plan had been cash based with awards rewarding growth in the notional value of LGIM (subject to a cap that participants cannot benefit from awards more than doubling) over each three-year performance cycle. The 2016 awards were measured in March 2019 and 21.7% of the award vested.

For 2018, the plan was altered so that participants received a conditional grant of Group shares. Vesting continues to be contingent on meeting challenging divisional financial performance targets over the three year performance period. 51 individuals participated in the 2018 award.

The plan was discontinued in 2019 and no further grants will be made under the LGIM LTIP in future years. Key staff within LGIM are considered for PSP awards, in line with the approach taken for key staff in other divisions of the Group.

Risk adjustment

Care is taken into account to manage the risk aspects of remuneration policy. For 2019, the Remuneration Committee considered the Group's performance against risk objectives and regulatory compliance in determining the bonus out-turn. To support these considerations the Chief Risk Officer prepares a report on the risk profile of the Group over the year to be reviewed by both the Risk and Remuneration Committees.