

LEGAL & GENERAL RESOURCES LIMITED

REPORT AND ACCOUNTS

2008

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LEGAL & GENERAL RESOURCES LIMITED

CONTENTS

Page

- 2 Directors' Report
- 6 Report of the Independent Auditors
- 8 Profit and Loss Account
- 9 Balance Sheet
- 10 Notes to Financial Statements

Registered Office:
One Coleman Street
London EC2R 5AA

Registered in England & Wales No. 2334263

LEGAL & GENERAL RESOURCES LIMITED

DIRECTORS' REPORT

The directors submit their annual report together with the audited financial statements of Legal & General Resources Limited, ("the Company") for the year ended 31 December 2008.

Principal activities

The principal activities of the Company are the provision of staff within the Legal & General group, acting on behalf of the group as a contracting company with third party suppliers and as the sponsoring company for the group's Employee Share Ownership Trust (ESOT). The ESOT purchases ordinary shares in Legal & General Group Plc in the market and holds such shares for delivery to employees under the various employee share schemes.

Significant events during the year

Group Share Price

During the financial year, there was a significant drop in the share price of the group in line with the worsening market conditions. This has led to the recognition of a £9m loss, details of which are provided in note 10 to the financial statements.

Prior year adjustment

As detailed in note 19, the procurement activities of the Company had previously not been included in the report and accounts. This has been correctly reflected this year. The changes made have no impact on the net result as the entire costs are recharged to companies within the group.

Review of business and future developments

The Company's main source of income is fees for the recharge of employee costs and other costs to group companies. As the fees exactly match the employee costs, the Company's main source of net income is the interest income derived from an intra group loan.

Legal & General Group Plc will continue to support the operations of the Company for the foreseeable future. In doing so, funds will be made available as required to support the ongoing activities of the Company.

Principal risks and uncertainties

1) Group Risk

All cost and expenses incurred by the Company, as the main employing and contracting company for the Legal & General group, are re-charged to those companies which utilise these services. However, the Company remains exposed to the risk of loss as a consequence of being a member of a group of companies should adverse events elsewhere in the organisation cause financial pressure.

2) Regulation & Legislation

As the main employer within the Legal & General group, the Company is required to comply with wide ranging regulation and legislation in respect of the employment of staff and ensuring their well being at work. Activities and strategies are based upon prevailing legislation and regulation. Significant changes in legislation, and differing interpretation and application of regulation over time, may affect the profitability and liabilities of the company if they cannot be recharged to other Legal & General group companies.

LEGAL & GENERAL RESOURCES LIMITED

DIRECTORS' REPORT

Principal risks and uncertainties (continued)

3) Financial Market and Economic Conditions

Towards fulfilling its obligations to employees, the Company has holdings in the Group's shares. Significant fluctuations in the stock market in general and consequently the Group's share price can significantly impact the profitability of the Company.

4) Risk Management

Overall responsibility for the management of the Company's risks is vested in the parent company's Board. To support it in this role, a risk framework is in place comprising formal committees, risk assessment processes and review functions. The framework provides assurance that risks are being appropriately identified and managed and that an independent assessment of risks is being performed.

Key performance indicators

The directors believe that the profit/(loss) before tax and shareholders' funds are appropriate key performance indicators, given the size and complexity of the Company.

Loss before tax for the year was £8.6m (2007: profit £0.5m).

Shareholders' funds at 31 December 2008 were £(6.9m) (2007: £2.8m).

Result for the year and dividend

The results of the Company are set out on page 8. The directors do not recommend the payment of a dividend. (2007: £0.9m - paid during the year)

Directorate

The directors of the Company who served during the year, together with their dates of appointment and resignation, where appropriate, are shown below:

J. M. Bury (resigned 22/05/2009)

E. M. MacLean (appointed 23/04/2008)

J. B. Pollock

A.M. Blance (resigned 18/07/2008)

C. R. R Avery (resigned 28/01/2009)

A. Trotter (appointed 22/05/2009)

M. Gregory (appointed Director and Chairman 11/02/2009)

Use of financial instruments

The Company, as the sponsoring company for the ESOT, which purchases ordinary shares in Legal & General Group Plc, is exposed to market risk arising from fluctuations in market valuations.

United Kingdom 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 who become disabled and to provide equal opportunities for the training and career development of disabled employees.

LEGAL & GENERAL RESOURCES LIMITED

DIRECTORS ' REPORT

United Kingdom employees (continued)

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. Communication with all employees continues through the in-house newspaper and newsletters, briefing groups and the distribution of the annual report.

Creditors

Legal & General Group Plc agrees terms and conditions for its business transactions with suppliers. Payment is made in accordance with these terms provided that the supplier meets its obligations. As at 31 December 2008, the average number of days of payments outstanding for the Legal & General Group of companies was 34 days (2007: 32 days).

Directors' Insurance

Legal and General maintains an appropriate level of Directors and Officers' liability insurance which is reviewed annually.

Auditors

An elective resolution was passed by the Company's shareholders under the Companies Act 1985. The elective regime was abolished by the Companies Act 2006 and the transitional provisions relating to the reappointment of auditors permit the auditors to remain in office unless the directors resolve otherwise.

There is no requirement under the Companies Act or the Company's articles of association to hold an Annual General Meeting or lay the Company's report and accounts before the shareholders.

LEGAL & GENERAL RESOURCES LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual 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 the directors have elected to prepare the financial statements in accordance with the United Kingdom Generally Accepted Accounting Practise (United Kingdom Accounting standards and applicable law). The financial statements are by law required to 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 those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates which 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, and;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

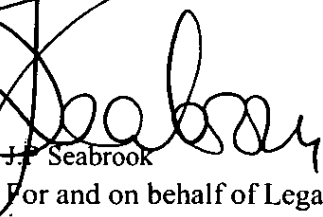
The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records that disclose with accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Each of the directors in office, at the date the directors' report is approved, confirms that:

- (a) so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- (b) the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

By Order of the Board



J. Seabrook

For and on behalf of Legal & General Co Sec Limited
Company Secretary

18 September 2009

LEGAL & GENERAL RESOURCES LIMITED

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF LEGAL & GENERAL RESOURCES LTD

We have audited the financial statements of Legal & General Resources Limited for the year ended 31 December 2008 which comprise the Profit and Loss Account, the Balance Sheet, Reconciliation of Movements in Shareholders' Funds and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of Directors and Auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

LEGAL & GENERAL RESOURCES LIMITED

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF LEGAL & GENERAL RESOURCES LIMITED

Basis of audit opinion (continued)

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2008 and of its loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London

21 September 2009

LEGAL & GENERAL RESOURCES LIMITED
PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2008

	Note	2008	(As restated) 2007
		£000	£000
Profit on continuing operations			
Turnover	1(e)	655,419	635,805
Cost of sales	2	(655,419)	(635,805)
Administrative expenses		(66)	(36)
Operating loss	4	<u>(66)</u>	<u>(36)</u>
Interest receivable and similar income	3	478	523
Amounts written off investments	10 (a)	(9,056)	-
(Loss)/Profit on ordinary activities before tax		<u>(8,644)</u>	<u>487</u>
Tax charge on profit on ordinary activities	8	<u>(136)</u>	<u>(152)</u>
(Loss)/Profit for the financial year		<u>(8,780)</u>	<u>335</u>

There were no gains or losses in the year other than those included in the above profit and loss account.

There is no difference between the profit on ordinary activities before taxation and the retained profit for the year stated above and their historical cost equivalents.

The notes on pages 10 to 21 form an integral part of these financial statements.

LEGAL & GENERAL RESOURCES LIMITED
BALANCE SHEET

As at 31 December 2008

	Note	2008 £000	2007 £000
Fixed assets			
Investments	10 (a)	22,500	28,561
Loans to group undertakings	10 (b)	8,822	9,395
Current assets			
Debtors	11	32,802	38,468
Cash at bank and in hand		2,478	1,488
		<u>35,280</u>	<u>39,956</u>
Creditors : amounts falling due within one year	12	<u>(73,516)</u>	<u>(75,146)</u>
Net current liabilities		<u>(38,236)</u>	<u>(35,190)</u>
Shareholders' net (liabilities)/assets		<u>(6,914)</u>	<u>2,766</u>
Representing capital and reserves			
Called up share capital	13	-	-
Profit and loss account	14	(6,914)	2,766
Shareholders' funds - equity interests		<u>(6,914)</u>	<u>2,766</u>
Reconciliation of movements in shareholders' funds			
At 1 January		2,766	2,431
(Loss)/ profit for the financial year		(8,780)	335
Dividend distribution during the year	9	(900)	-
At 31 December		<u>(6,914)</u>	<u>2,766</u>

The notes on pages 10 to 21 form an integral part of these financial statements.

The financial statements on pages 8 to 21 were approved by the board of directors on 18 September 2009 and signed on its behalf by





Director

LEGAL & GENERAL RESOURCES LIMITED

NOTES TO FINANCIAL STATEMENTS

1 Accounting policies

The main accounting policies of the Company are as follows:

(a) Basis of Preparation

The financial statements conform to applicable United Kingdom accounting standards and have been prepared on a going concern basis under the historical cost convention, modified by the revaluation of certain fixed assets, and in accordance with the provisions of section 226 and Schedule 4 of the Companies Act 1985.

In accordance with FRS 1 'Cash Flow Statements' (Revised 1996) the Company has not prepared a cashflow statement as the ultimate holding company, Legal & General Group Plc, has included a group cashflow statement within its publicly available accounts.

The Company has taken advantage of the exemptions under the terms of FRS 8 'Related Party Disclosures' from disclosing related party transactions with entities that are part of Legal & General Group Plc or investees of Legal & General Group Plc.

The directors and key management of the Company had no material transactions with the Company or any other group undertakings other than receiving salaries.

(b) Change in accounting policy

Expenses arising from the employee share schemes operated by the Group have been allocated to the Company to reflect the amount of services received. The allocation has been based on headcount. This change in accounting policy has been accounted for by restating the prior year balances and has no effect on net assets and operating loss for the period. The restated balances are highlighted in note 6. The estimation techniques employed are detailed below.

(c) Fixed asset investments

The ESOT investments are included at the lower of cost and net realisable value in the balance sheet within Investments. Both permanent and temporary diminution in value are recognised in the profit and loss account when they occur. Where a diminution is temporary (based on market fluctuation), reversals in such diminution is recognised in the profit and loss account when they occur. The cost of shares acquired by the ESOT has been financed by an interest free loan from the Group.

(d) Long term loans to group undertakings

Long term loans to group undertakings are held at cost using the effective interest method.

(e) Subsidiary undertakings

Investments in subsidiaries are carried at cost less impairment.

LEGAL & GENERAL RESOURCES LIMITED

NOTES TO FINANCIAL STATEMENTS

1 Accounting policies (continued)

(f) Turnover

Turnover is stated excluding Value Added Tax and represents income from Group undertakings in respect of purchases made as well as the provision of staff for day to day activities. Revenue represents the recharge of these costs to Group companies and is recognised on an accruals basis.

(g) Investment income

Investment income includes interest on an accruals basis. The ESOT has waived its rights to the dividends payable on the shares it holds.

(h) Deferred tax

The charge for taxation is based on the result for the year adjusted for disallowable items. Deferred taxation is provided in full on all timing differences at the rate at which it is expected that the tax liability or benefit will arise. Deferred tax assets are recognised to the extent that it is more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

(i) Pension costs

The Group operates both defined benefit and defined contribution pension schemes for UK employees. The Company has taken advantage of the concession in FRS17 'Retirement Benefits' paragraph 9 which allows multi employer defined benefit schemes to be treated for reporting purposes as defined contribution schemes as the individual company share of the underlying assets and liabilities cannot be identified. The Company charges 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.

(j) Share based payments

The group operates a number of share-based payment schemes. 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. It recognises the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment is made to equity. On vesting or exercise, the difference between the expense charged to the income statement and the actual cost to the Group is transferred to retained earnings. Where new shares are issued, the proceeds received are credited to share capital and share premium.

(k) Dividend recognition

A dividend distribution to the Company's shareholders is recognised as a liability in the period in which the dividends are authorised and are no longer at the discretion of the Company.

(l) Impairment

The Company reviews the carrying value of its assets at each balance sheet date. If the carrying value of a financial asset is impaired, the carrying value is reduced through a charge to the profit and loss account. There must be objective evidence of impairment as a result of one or more events which have occurred after the initial recognition of the asset. Impairment is only recognised if the loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

LEGAL & GENERAL RESOURCES LIMITED

NOTES TO FINANCIAL STATEMENTS

2 Cost of sales

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

	2008	(As restated) 2007
Full time equivalent	<u>7,465</u>	<u>8,077</u>
Staff costs were:		
	£000	£000
Wages and salaries	297,593	314,084
Social security costs	27,983	30,906
Other pension costs	45,664	32,931
Share based payments	<u>17,290</u>	<u>12,792</u>
Total staff costs	<u>388,530</u>	<u>390,713</u>
Other Costs ¹	<u>266,889</u>	<u>245,092</u>
	<u>655,419</u>	<u>635,805</u>

¹ These relate to the procurement commitments entered into on behalf of companies within the Group.

3 Interest receivable and similar income

	2008 £000	2007 £000
Interest receivable from group undertakings	<u>478</u>	<u>523</u>
	<u>478</u>	<u>523</u>

4 Operating Loss

The operating loss includes fees payable to the Company's auditor of £3,000 (2007: £3,000) for the audit of the Company financial statements. There have been no non audit fees for the year. (2007: Nil).

5 Directors' emoluments

No emoluments were paid to any director nor were any direct pension contributions paid in respect of services to this Company (2007: £Nil).

6 Share-based payments

The Company provides the following equity settled share-based long term incentive plans for directors and eligible employees. Details of the schemes are provided on Pages 13 to 17.

Savings related share option scheme (SAYE)

Company share option scheme (CSOP)/Executive share option scheme (ESOS)

Share bonus plan (SBP)

Performance share plan (PSP)

Employee share plan (ESP)

6 Share-based payments (continued)

The fair values of the share grants made during the year have been calculated using the following assumptions:

	SAYE	SAYE	PSP
	10-Apr-08	29-Aug-08	29-Apr-08
Award date			
Weighted average share price (p)	131.8	100.5	126.1
Weighted average exercise price (p)	98.6	86.1	n/a
Expected volatility	26% - 33%	27% - 34%	n/a
Expected life	3 - 7 years	3 - 7 years	3 years
Risk free investment rate	4.0% - 4.3%	4.5%	n/a
Dividend yield	4.1%	4.8%	n/a
	10-Apr-07	24-Aug-07	25-Apr-07
Award date			
Weighted average share price (p)	162.7	138.2	157.2
Weighted average exercise price(p)	119	109.6	n/a
Expected volatility	22% - 33%	22% - 32%	n/a
Expected life	3 - 7 years	3 - 7 years	3 years
Risk free investment rate	5.2% - 5.4%	5.2% - 5.4%	n/a
Dividend yield	3.7%	3.6%	n/a

Expected volatility is a measure of the tendency of a security price to fluctuate in a random, unpredictable manner. Expected volatility is determined by calculating the historical volatility of Legal & General Group plc's share price over the previous ten years. The expected life has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

Savings related share option scheme (SAYE)

The SAYE allows employees to enter into a regular savings contract over either three, five or seven years, coupled with a corresponding option over shares of the ultimate parent company, Legal & General Group. The grant price is equal to 80% of the quoted market price of the Group shares on the invitation date. Options are normally forfeited if the employee leaves the Group before the options vest.

		Weighted average share price 2008 (p)	As restated Options 2007	As restated Weighted average share price 2007 (p)
SAYE	Options 2008			
Outstanding at 1 January	32,883,647	82	31,869,003	77
Granted during the year	22,247,447	91	6,859,797	114
Forfeited during the year	(1,280,804)	97	(782,591)	90
Exercised during the year	(13,547,087)	60	(3,017,730)	80
Expired during the year	(14,274,187)	102	(2,044,832)	107
Outstanding at 31 December	26,029,016	90	32,883,647	82
Exercisable as at 31 December	683,814	87	156,885	82

LEGAL & GENERAL RESOURCES LIMITED

NOTES TO FINANCIAL STATEMENTS

6 Share-based payments (continued)

Company share option scheme (CSOP)/Executive share option scheme (ESOS)

The fair values of the SAYE options granted during the year have been estimated using the Black-Scholes model. The assumptions used in the model are shown above. The weighted average fair value of each SAYE option granted during the year was 29p (2007 as restated: 45p). The Company recognised total expenses of £1,315,869 (2007 as restated: £2,247,799) related to the SAYE scheme. The intrinsic value of vested SAYE options was £4k (2007 as restated: £76k) 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 2008 had a weighted average remaining contractual life of 39 months (2007 as restated: 26 months).

The CSOP, approved by HMRC, and unapproved ESOS were designed to provide a long term incentive to directors and managers of the Group. The number of options granted is based on the manager's level, salary and performance. The options have a ten year life but do not normally vest in the first three years. In order to exercise the options, the Legal & General Total Shareholder Return (TSR) must exceed the median TSR of the FTSE 100 for a period of at least three years commencing on the date of the grant. Options are normally forfeited if the employee leaves the Group before the options vest.

ESOS / CSOP	Options 2008	Weighted average share price 2008 (p)	(As restated)	(As restated)
			Options 2007	Weighted average share price 2007 (p)
Outstanding at 1 January	29,133,294	136	30,881,053	136
Granted during the year	-	-	-	-
Forfeited during the year	(2,469,827)	145	(628,490)	171
Exercised during the year	(625,846)	86	(1,121,633)	97
Expired during the year	(344,755)	151	2,364	431
 Outstanding at 31 December	 25,692,866	 137	 29,133,294	 136
 Exercisable as at 31 December	 25,692,866	 137	 28,406,389	 136

The fair values of the options granted under the CSOP/ESOS are estimated using a binomial model, reflecting the historic exercise patterns. No options were granted in 2008 or 2007 under these schemes.

The Company recognised total expenses of £69,434 (2007 as restated: £21,601) related to the CSOP and ESOS. The intrinsic value of vested share options at the year end was £Nil (2007 as restated: £3,236,575). The options outstanding at 31 December 2008 had a weighted average remaining contractual life of 32 months (2007 as restated: 43 months)

6 Share-based payments (continued)

Share bonus plan (SBP)

SBP awards granted before 2005 gave the recipient the right to receive a fixed number of shares three years after the grant date. SBP grants from 2005 award restricted shares which vest with employees three years after the grant date. From 2005, SBP grant recipients are entitled to both vote and receive dividends. In both cases the rights associated with SBP grants are normally forfeited on leaving the Group.

The fair value of the shares awarded has been calculated as the market value on the grant date. For pre-2005 awards, this has been adjusted by the estimated present value of future dividends to which the holder is not entitled.

During the year, 5,940,103 shares (2007 as restated: 4,559,331 shares) were awarded under the SBP to employees of the Company. The weighted average fair value of the shares issued was 127p (2007 as restated: 155p). The Company recognised a total expense of £8,701,197 (2007 as restated: £4,779,838) relating to the SBP.

Performance share plan (PSP)

Conditional shares can be granted to top managers under the PSP, based upon individual and Company performance. Under the PSP, the number of performance shares transferred to the individual at the end of the three year vesting period is dependant on the Group's relative TSR. The award will vest in full for upper quintile performance. One quarter of the award will vest for median performance. Awards will vest on a straight line prorated basis for performance between the median and upper quintile. For awards made prior to 2007, the performance condition is based upon the FTSE 100. For awards made during or after 2007, half of each award will be measured using the existing FTSE 100 test, the remaining half is measured against a bespoke group of UK and European insurance companies. The group comprises all UK listed life insurers that are constituents of the FTSE 350, plus all members of the insurance sector of the FTSE Eurotop 300. The two halves are measured independently, thus it is possible that one half may vest, whilst the other does not. For both comparator groups, the companies used are members of the relevant indices as at the date of award.

Additionally, The Remuneration Committee assesses whether the underlying performance of the Company is reflective of the TSR result. In exceptional circumstances, The Remuneration Committee may exercise their discretion to scale back the vesting of awards, if it is felt that the Company's performance did not justify the level of vesting. The parameters which the Remuneration use in making this assessment include market share, partnerships gained and maintained, cost constraint, capital management and shareholder perception.

During the year, 1,197,939 performance shares (2007 as restated: 648,671 shares) were awarded to employees of the Company. The weighted average fair value of the shares issued was 232p (2007 as restated: 306p). The Company recognised a total expense of £2,211,236 (2007 as restated: £2,081,259) relating to the PSP during the year.

LEGAL & GENERAL RESOURCES LIMITED

NOTES TO FINANCIAL STATEMENTS

6 Share-based payments (continued)

Employee share plan (ESP)

Under the ESP, approved by HMRC, 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 matching the first £20 of the employees' contributions. 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 before they may vest to the employee. After vesting the shares remain within the Trust until they are transferred to the employee or the employee leaves the Group. The Trust is consolidated into the results of the Group with the unvested shares disclosed as employee scheme shares.

The fair value of the granted shares is equal to the market value at the grant date.

During the year, 4,031,634 shares (2007 as restated: 3,844,388 shares) were granted under the ESP. The weighted average fair value of the shares issued was 117p (2007 as restated: 148p). The Company recognised a total expense of £4,992,157 (2007 as restated: £3,661,637) relating to the ESP during the year.

Total recognised expense

The total recognised expense relating to share based payments in 2008 was £17,289,893 (2007 as restated: £12,792,134) before tax, all of which related to equity settled share schemes.

Total options

Options over shares are outstanding under CSOP, ESOS and SAYE at 31 December 2008 as shown below:

Option price (pence per share)	Number of shares	Option period ending in
40.01 - 50.00	-	-
50.01 - 60.00	2,622,951	2010
60.01 - 70.00	-	-
70.01 - 80.00	5,542,435	2009 - 2013
80.01 - 90.00	12,739,005	2009 - 2016
90.01 - 100.00	5,221,444	2010 - 2015
100.01 - 110.00	3,737,237	2010 - 2015
110.01 - 120.00	2,203,767	2009 - 2014
120.01 - 130.00	17,112	2009
130.01 - 140.00	-	-
140.01 - 150.00	11,111,827	2011 - 2012
150.01 - 160.00	5,300,833	2010
160.01 - 170.00	3,225,271	2009
Total	51,721,882	

LEGAL & GENERAL RESOURCES LIMITED

NOTES TO FINANCIAL STATEMENTS

6 Share-based payments (continued)

Total options

Options over shares are outstanding under CSOP, ESOS and SAYE at 31 December 2007 (as restated) as shown below:

Option price (pence per share)	Number of shares	Option period ending in
40.01 - 50.00	-	-
50.01 - 60.00	14,638,643	2008 - 2010
60.01 - 70.00	-	-
70.01 - 80.00	6,738,485	2008 - 2013
80.01 - 90.00	1,728,323	2008 - 2013
90.01 - 100.00	2,665,771	2008 - 2014
100.01 - 110.00	9,253,082	2010 - 2015
110.01 - 120.00	4,609,881	2009 - 2014
120.01 - 130.00	55,236	2008 - 2009
130.01 - 140.00	-	-
140.01 - 150.00	12,870,245	2011 - 2012
150.01 - 160.00	5,869,792	2010
160.01 - 170.00	3,587,483	2009
Total	62,016,941	

7 Pensions

The Company operates the following pension schemes in the UK:

- 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; last full actuarial valuation as at 31 December 2006.

- 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 new members from April 2007; last full actuarial valuation as at 31 December 2006.

- Legal & General Group Personal Pension Plan (UK) - a defined contribution scheme.

- Legal & General Staff Stakeholder Pension Scheme (UK) - a defined contribution scheme.

There were no contributions prepaid or outstanding at either 31 December 2008 or 31 December 2007 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.

The assets of the defined benefit schemes are held in separate trustee administered funds which are subject to annual valuation.

LEGAL & GENERAL RESOURCES LIMITED

NOTES TO FINANCIAL STATEMENTS

7 Pensions (Continued)

The Fund and the Scheme of the Legal & General Group are multi employer defined benefit schemes which, as the Company's share of the underlying assets and liabilities cannot be identified, have been treated for reporting purposes as defined contribution schemes. Full disclosure regarding the Legal & General defined benefit pension scheme is disclosed in the Group Plc accounts. The Group Plc accounts show a combined Fund and Schemes deficit, net of annuity obligations and deferred tax, of £101m (2007: £130m). As the Group reports under IFRS, this deficit has been calculated in accordance with IAS19. The Group contributions in respect of these schemes for the year were £54m (2007: £38m).

8 Tax charge

	2008 £000	2007 £000
Current tax		
UK corporation tax at 28.5% (2007: 30%)		
- Current tax for the year	133	152
- UK tax adjustments in respect of prior periods	-	(1)
Total current tax	133	151
- Origination and reversal of timing differences	3	1
Tax on profit on ordinary activities	136	152

Factors affecting current tax charge for the period:

The tax assessed for the period is higher than the standard rate of corporation tax in the UK for a company (28.5%) (2007: 30%). The differences are explained below:

	2008 £000	2007 £000
(Loss)/Profit on ordinary activities before tax	(8,644)	487
Corporation tax at 28.5% (2007: 30%)	(2,463)	146
Effects of:		
Capital allowances for period in excess of depreciation	(3)	(4)
Adjustments in respect of prior periods	-	(1)
Non deductible loss on ESOT	18	10
Non deductible unrealised loss	2,581	-
Current tax charge	133	151

9 Dividends

	Per share 2008 £000	Per share 2007 £000	Total 2008 £000	Total 2007 £000
2007 final dividend paid in 2008	9	-	900	-
	9	-	900	-

LEGAL & GENERAL RESOURCES LIMITED

NOTES TO FINANCIAL STATEMENTS

10 Fixed assets

(a) Investments

	2008 £000	2007 £000
Investment in parent shares	22,500	28,561

The shares were listed on recognised investment exchanges.

The Company, being the principal UK employer within the Group, is the sponsoring company for the ESOT, which purchases ordinary shares in Legal & General Group Plc in the market and holds such shares for delivery to employees under the various employee share schemes.

During 2008, 2.1m shares worth £2.4m, were vested to employees to satisfy the share scheme requirements. As at 31 December 2008 the ESOT held 29.3m shares acquired at a cost of £31.6m and with a market value of £22.5m, of which 5.0m were purchased at market rates in June 2008 at a cost of £5.4m.

The ESOT's investments are included at market value of £22.5m. The comparative 2007 amount of £28.6m is the value at cost in the balance sheet. A temporary impairment in value of £9.1m has been charged to the profit and loss account. The cost of shares acquired by the ESOT is being financed by an interest free loan from the Group. The ESOT has waived its rights to the dividends payable on the shares it holds.

(b) Loans to group undertakings

The loan to group undertakings of £8.8m (2007: £9.4m) relates to a 10 year loan agreement with Finance PLC which is due to expire in March 2018. There is no intention to cancel the agreement before the expiry date.

11 Debtors

	2008 £000	2007 £000
Amounts owed by group undertakings	32,091	37,749
Other debtors	701	706
Deferred tax asset*	10	13
	<u>32,802</u>	<u>38,468</u>

* Deferred tax asset

	£000	£000
At 1 January	13	14
Amount debited in profit and loss account for period	(3)	(1)
At 31 December	<u>10</u>	<u>13</u>

The deferred tax asset consists of the following amounts:

	£000	£000
The excess of capital allowances over depreciation	10	13
	<u>10</u>	<u>13</u>

Deferred tax has been determined using the rate of corporation tax applicable from 1 April 2008 of 28% (2007: 28%)

LEGAL & GENERAL RESOURCES LIMITED

NOTES TO FINANCIAL STATEMENTS

12 Creditors: amounts falling due within one year

	2008 £000	2007 £000
Amounts due to group undertakings	47,896	42,498
Corporation tax payable	133	151
Other creditors	11,137	11,358
Accruals and deferred income	14,350	21,139
	<u>73,516</u>	<u>75,146</u>

13 Share capital

	2008 £	2007 £
Authorised : 100 ordinary shares of £1 each	<u>100</u>	<u>100</u>
Issued : 100 ordinary shares of £1 each fully paid	<u>100</u>	<u>100</u>

14 Movement in reserves

	Profit and loss account 2008 £000	(As restated) Profit and loss account 2007 £000
At 1 January	2,766	2,431
(Loss)/profit for the period	(8,780)	335
Capital contribution in respect of share based payments	17,290	12,792
Payment made to ultimate parent	(17,290)	(12,792)
Dividends	(900)	-
At 31 December	<u>(6,914)</u>	<u>2,766</u>

15 Holding company

The holding company is Legal & General Group Plc, a company incorporated in England & Wales - the controlling party which consolidates the financial statements of the Company. These accounts therefore provide information about the Company as an individual undertaking. Copies of the accounts of the ultimate holding company, Legal & General Group Plc, are available at the Registered Office, One Coleman Street, London, EC2R 5AA.

16 Segmental disclosure

The turnover and pre-tax profit is all attributable to the company's activities as provider of staff within the Legal & General Group, as a contracting company with third party suppliers and as the sponsoring company for the Group's Employee Share Ownership Trust (ESOT) and arises wholly in the UK.

LEGAL & GENERAL RESOURCES LIMITED

NOTES TO FINANCIAL STATEMENTS

17 Group support

Legal & General Group Plc will continue to support the operations of the Company for the foreseeable future. In doing so, funds will be made available as required to support the ongoing activities of the Company.

18 Investment in Subsidiary undertakings

The Company is the parent company of Legal & General Pension Fund Trustee Limited and Legal & General Pension Scheme Trustee Limited. These companies act as trustee to the Legal & General Pension Fund and the Legal & General Pension Scheme respectively. Both of these subsidiaries were incorporated on 20th February 2008, but had no activity throughout the 2008 financial year.

The Company's investment in Legal & General Pension Fund Trustee Limited is included at cost of £1, and the investment in Legal & General Pension Scheme Trustee is included at cost of £1.

19 Prior year adjustment

The financial statements in the prior year excluded information relating to the Company's role as procurement agent for the Group. These omissions have been corrected in the prior year comparative figures shown for the year ended 31 December 2007 in these accounts as summarised below:

	As Previously reported	Prior year adjustment	As Restated
	£	£	£
Turnover	390,713	245,092	635,805
Cost of sales	(390,713)	(245,092)	(635,805)
Administrative expenses	(36)	-	(36)
Operating loss	(36)	-	(36)

20 Post Balance Sheet Events

During 2009, the group commenced a review of employees and as a result is considering redundancies as a way of reducing headcount. At the date of signing the financial statements, costs of £6.7m had been incurred in respect of this and further costs are anticipated during the remainder of 2009.

Since the amount concerned will be fully recharged to the member companies of the group, it is expected that the net financial impact on the Company will be nil.