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LEGAL & GENERAL SHELLCO (NO. 1) LIMITED

REPORT AND ACCOUNTS

2006

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LEGAL & GENERAL SHELLCO (NO. 1) LIMITED

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Registered Office
Temple Court
11 Queen Victoria Street
London EC4N 4TP

Registered in England & Wales No 3494290

DIRECTORS' REPORT

The directors submit their annual report together with the audited financial statements of Legal & General Shellco (No 1) Limited for the year ended 31 December 2006

Principal activities

Legal & General Shellco (No 1) Limited is an investment company

Result for the year and dividend

The results of the Company are set out on page 7 The directors do not recommend the payment of a dividend (2005 £nil)

Directorate

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

A M Blance
N L Collard
J D Whorwood

Directors' share interests

No director had any interest in the shares of the Company during the year ended 31 December 2006

A M Blance, N L Collard and J D Whorwood are directors of the Company's holding company, Legal & General Insurance Holdings Limited, and their interests in the shares of the ultimate holding company, Legal & General Group Plc, are shown in the accounts of Legal & General Insurance Holdings Limited

Disclosure of information to Auditors

Each of the directors, at the date of approval of this report, confirms that

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

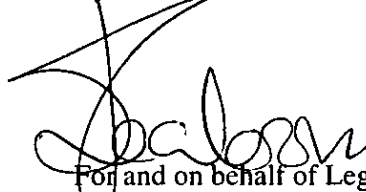
This confirmation is given and should be interpreted in accordance with the provisions of Section 234ZA of the Companies Act 1985

DIRECTORS ' REPORT

Auditors

An elective resolution has been passed by the Company's shareholders, pursuant to Section 386 of the Companies Act 1985, whereby the Company is not required to hold an Annual General Meeting, lay the Company's Report and Accounts before the shareholders, or reappoint auditors each year

By Order of the Board

A handwritten signature in dark ink, appearing to read 'J. Calton', is written over the printed text of the Company Secretary's name.

For and on behalf of Legal & General Co Sec Limited

Company Secretary

9 May 2007

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which 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 and which comply with the relevant provisions of the Companies Act 1985. 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 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

The directors confirm that they comply with the above requirements

The directors are also responsible for

- ensuring that the Company has suitable internal controls for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company,
- safeguarding the assets of the Company, and
- taking reasonable steps for the prevention and detection of fraud and other irregularities

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF SHELLCO (NO.1) LIMITED

We have audited the financial statements of the Company for the year ended 31 December 2006 which comprise the Profit and Loss Account, the Balance Sheet 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.

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF SHELLCO (NO.1)
LIMITED**

Basis of audit opinion

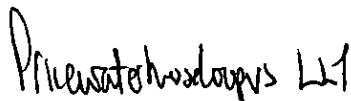
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements 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.

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 2006 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
Chartered Accountants and Registered Auditors
London
9 May 2007

LEGAL & GENERAL SHELLCO (NO. 1) LIMITED
PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2006

	2006	2005
	£'000	£'000
Profit on continuing operations		
Administrative expenses	(1)	(1)
Retained loss for the financial year	<u>(1)</u>	<u>(1)</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 loss on ordinary activities before taxation and the retained loss for the year stated above and their historical cost equivalents


LEGAL & GENERAL SHELLCO (NO. 1) LIMITED
BALANCE SHEET

As at 31 December 2006

	Note	2006 £'000	2005 £'000
Current assets			
Amounts owed by group undertakings		107,324	107,324
Creditors: amounts falling due within one year			
Amounts owed to group undertakings		<u>(1,925)</u>	<u>(1,924)</u>
Net current assets		105,399	105,400
Shareholders' net assets		<u>105,399</u>	<u>105,400</u>
Representing capital and reserves			
Called up share capital	5	106,000	106,000
Profit and loss account	6	<u>(601)</u>	<u>(600)</u>
Shareholders' funds - equity interests		<u>105,399</u>	<u>105,400</u>
Reconciliation of movements in shareholders' funds			
At 1 January		105,400	105,401
Total recognised gains and losses		<u>(1)</u>	<u>(1)</u>
At 31 December		<u>105,399</u>	<u>105,400</u>

The notes on pages 9 to 10 form an integral part of these financial statements

The financial statements on pages 7 to 10 were approved by the board of directors on 9 May 2007 and signed on its behalf by



A M Blance, Director

LEGAL & GENERAL SHELLCO (NO. 1) LIMITED

NOTES TO FINANCIAL STATEMENTS

1 Accounting policies

The main accounting policies of the Company are as follows

(a) Disclosure

The financial statements conform to applicable 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 Companies Act 1985. The principal accounting policies are set out below

(b) Deferred tax

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

2 Directors' emoluments

No emoluments were paid to any director nor were any direct pension contributions paid in respect of their services to this company (2005: £Nil)

3 Loss on ordinary activities before tax

Loss on ordinary activities before tax is stated after charging

	2006 £	2005 £
Auditors' remuneration (all relates to audit services)	<u>1,000</u>	<u>1,000</u>

4 Pensions

The Company has no direct employees and hence makes no contributions toward retirement benefits

LEGAL & GENERAL SHELLCO (NO. 1) LIMITED

NOTES TO FINANCIAL STATEMENTS

5 Share capital

	2006 £'000	2005 £'000
Authorised 150,000,000 ordinary shares of £1 each	<u>150,000</u>	<u>150,000</u>
Issued 106,000,002 ordinary shares of £1 each fully paid	<u>106,000</u>	<u>106,000</u>

6 Movement in reserves

	Profit and loss account £'000s
At 1 January 2006	(600)
Retained loss	(1)
At 31 December 2006	<u>(601)</u>

7 Ultimate parent undertaking

The Company's immediate parent undertaking is Legal & General Assurance Society Limited, a company incorporated in England & Wales. Legal & General Assurance Society Limited is exempt from the obligation to prepare and deliver group accounts as it is a wholly-owned subsidiary of Legal & General Group Plc, a company incorporated in England & Wales and the ultimate holding undertaking 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, Temple Court, 11 Queen Victoria Street, London EC4N 4TP.

8 Cash flow statement

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.

9 Segmental disclosure

Since it is neither a public limited company nor a banking or insurance company, and segmental disclosures are made available in the Group's publicly available accounts, the Company has taken advantage of the exemption, available in SSAP 25, 'Segmental reporting', not to provide segmental disclosures.

10 Related party transactions

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.