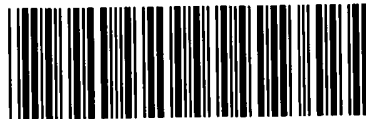


Registered number: 3847974

LM HOLDINGS LIMITED

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

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LM HOLDINGS LIMITED

COMPANY INFORMATION

Directors	A Connolly I S Goodhew
Registered number	3847974
Registered office	201 Bishopsgate London EC2M 3AB
Independent auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 7 More London Riverside London SE1 2RT

LM HOLDINGS LIMITED

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LM HOLDINGS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2017

The Directors present their report and the financial statements for the year ended 31 March 2017.

The Company is a private company limited by shares and is incorporated and domiciled in England the address of its registered office is 201 Bishopsgate, London, EC2M 3AB.

Principal activity

The principal activity of LM Holdings Limited ("the Company") is to act as a holding company.

The Directors are satisfied with the Company's progress.

Results and dividends

The profit for the year, after taxation, amounted to £328,000 (2016: £414,000).

Net Assets as at 31 March 2017 were £16,818,000 (2016: £16,490,000).

No dividends were paid during the year and the Directors do not recommend the payment of a final dividend (2016: none).

Directors

The Directors who served during the year and up to the date of signing this report are:

A Connolly
I S Goodhew

Principal risks and uncertainties

The Company operates systems and controls to mitigate any adverse effects across the range of risks that it faces. The Company has no significant exposure to price, credit or interest rate risk. Given the size of the Company, detailed analysis of risks and uncertainties has not been prepared since such information is not material for the assessment of the Company's assets, liabilities, financial position and results.

Qualifying third party indemnity provisions

The Company has made qualifying third party indemnity provisions for the benefit of the respective Directors which were in place throughout the year and which remain in place at the date of this report.

Brexit

In a referendum on 23 June 2016 it was decided that the UK will be leaving the European Union. On 29 March 2017, Article 50 was invoked and negotiations formally began. The terms of the withdrawal and any impact are largely unknown. The Directors do not expect our current business activity to be affected in a substantive way by the UK leaving the EU, although there may be changes in where and how business activities are carried out on the medium to long term.

An internal working group, including access to external advisors, has been set up to track and assess the Brexit impact on the Company to ensure plans are appropriately made as negotiations develop. Discussions with staff who may be impacted by Brexit have been instigated and will be ongoing as the impacts are finalised.

LM HOLDINGS LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2017

Directors' responsibilities statement

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). 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 the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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 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.

The Directors 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.

Disclosure of information to auditors

Each of the persons who are Directors at the time when this Directors' Report is approved has confirmed 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 ought to have been taken as a Director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Independent Auditors

The auditors, PricewaterhouseCoopers LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the Board of Directors and signed on its behalf.


A Connolly
Director

Date: 17 July 2017

LM HOLDINGS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LM HOLDINGS LIMITED

REPORT ON THE FINANCIAL STATEMENTS

Our opinion

In our opinion, LM Holdings Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the Company's affairs as at 31 March 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Annual Report and Financial Statements, comprise:

- the Statement of Financial Position as at 31 March 2017;
- the Statement of Comprehensive Income for the year then ended;
- the Statement of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' Report has been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Directors' Report. We have nothing to report in this respect.

LM HOLDINGS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LM HOLDINGS LIMITED

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

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

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Entitlement to exemptions

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Directors' Responsibilities Statement set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

LM HOLDINGS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LM HOLDINGS LIMITED

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.



Colleen Local (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

London

17 July 2017

LM HOLDINGS LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2017**

	Note	2017 £000	2016 £000
Administrative expenses		(13)	(9)
Other operating income		21	-
Operating profit/(loss)	2	<u>8</u>	<u>(9)</u>
Interest receivable and similar income	4	<u>500</u>	<u>462</u>
Profit before tax		508	453
Tax on profit	5	<u>(180)</u>	<u>(39)</u>
Profit for the financial year		328	414
Other comprehensive income for the year		-	-
Total comprehensive income for the year		<u><u>328</u></u>	<u><u>414</u></u>

The notes on pages 9 to 15 form part of these financial statements.

All amounts relate to continuing operations.

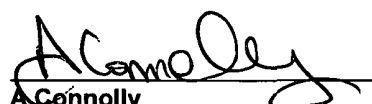
LM HOLDINGS LIMITED
REGISTERED NUMBER: 3847974

STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2017

	Note	2017 £000	2016 £000
Fixed assets			
Investments in subsidiaries		5,948	5,948
		<u>5,948</u>	<u>5,948</u>
Current assets			
Debtors	8	10,882	10,552
		<u>10,882</u>	<u>10,552</u>
Creditors: amounts falling due within one year	9	(12)	(10)
		<u>(12)</u>	<u>(10)</u>
Net current assets		<u>10,870</u>	<u>10,542</u>
Total assets less current liabilities		<u>16,818</u>	<u>16,490</u>
Net assets		<u><u>16,818</u></u>	<u><u>16,490</u></u>
Capital and reserves			
Called up share capital	10	43,700	43,700
Retained earnings		<u>(26,882)</u>	<u>(27,210)</u>
Total equity		<u><u>16,818</u></u>	<u><u>16,490</u></u>

The Company's financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime.

The financial statements on pages 9 to 15 were approved and authorised for issue by the board and were signed on its behalf by:


A Connolly
 Director

Date: 17 July 2017

LM HOLDINGS LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2017**

	Called up share capital £000	Profit and loss account £000	Total equity £000
At 1 April 2015	43,700	(27,624)	16,076
Profit for the year	-	414	414
At 1 April 2016	43,700	(27,210)	16,490
Profit for the year	-	328	328
At 31 March 2017	43,700	(26,882)	16,818

The notes on pages 9 to 15 form part of these financial statements.

LM HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

1. Accounting policies

The principal accounting policies which have been applied consistently throughout the year are set out below.

1.1 Basis of preparation of financial statements

The financial statements have been prepared on a going concern basis under the historical cost convention in compliance with United Kingdom Accounting Standards, comprising FRS 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" and the Companies Act 2006.

The financial statements contain information about the Company as an individual Company and do not contain consolidated financial information as the parent of a group. The Company is exempt under section 401 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its ultimate parent in the United States, Legg Mason, Inc. which are prepared in accordance with US Generally Accepted Accounting Principles.

1.2 Exemptions for qualifying entities under FRS 102

The Company has taken advantage of the following exemptions:

- from preparing a statement of cash flows on the basis that it is a qualifying entity and the consolidated statement of cash flows are included in the Company's ultimate parent company, Legg Mason, Inc., consolidated financial statements;
- from the financial instrument disclosures, required under FRS 102 paragraphs 11.39 to 11.48A and paragraphs 12.26 to 12.29, as the information is provided in the consolidated financial statement disclosures; and
- from disclosing the Company key management personnel compensation, as required by FRS 102 paragraph 33.7.

1.3 Significant judgements and estimates

Estimates and judgements 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. In the case of the Company, the preference shares are classified as equity in the balance sheet. No other significant judgments or estimates have been made in the preparation of the financial statements.

LM HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

1. Accounting policies (continued)

1.4 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of Comprehensive Income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Statement of Comprehensive Income within 'other operating income'.

1.5 Interest receivable and similar income

Interest income is recognised in the Statement of Comprehensive Income on an accruals basis.

1.6 Current and deferred taxation

Tax is recognised in the Statement of Comprehensive Income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

LM HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

1. Accounting policies (continued)

1.7 Investments in subsidiaries

Investments in subsidiaries held as fixed assets are shown at cost less provision for impairment.

1.8 Debtors

Short term debtors are measured at transaction price, less any impairment.

1.9 Creditors

Short term creditors are measured at the transaction price.

2. Operating loss

The operating loss is stated after charging:

	2017	2016
	£000	£000
The audit of the financial statements of the Company pursuant to legislation	<u>7</u>	<u>7</u>

3. Employees

The Company has no employees other than the Directors, who did not receive any remuneration for their services to this company (2016 - £nil).

The Directors of LM Holdings Limited earn no fees for their services to this Company but are remunerated for their services to a number of fellow subsidiaries within the Legg Mason Group. These emoluments are included in the relevant disclosure within the financial statements of Legg Mason & Co (UK) Limited.

4. Interest receivable and similar income

	2017	2016
	£000	£000
Interest receivable from group companies	<u>500</u>	<u>462</u>
	<u>500</u>	<u>462</u>

LM HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

5. Taxation

	2017	2016
	£000	£000
Current tax		
Current tax on profits for the year	-	-
Total current tax	<u>-</u>	<u>-</u>
Deferred tax		
Utilised on FY16 profits	78	-
Utilised on current year profits	83	-
Reduction in UK corporation tax rate	19	39
Total deferred tax	<u>180</u>	<u>39</u>
Taxation on profit on ordinary activities	<u>180</u>	<u>39</u>

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2016 - *lower than*) the standard rate of corporation tax in the UK of 20% (2016 - 20%). The differences are explained below:

	2017	2016
	£000	£000
Profit on ordinary activities before tax	<u>508</u>	<u>453</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2016 - 20%)	97	91
Effects of:		
Utilisation of tax losses	(97)	-
Group relief received without charge	-	(91)
Deferred tax charge	180	39
Total tax charge for the year	<u>180</u>	<u>39</u>

LM HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

5. Taxation (continued)

Factors that may affect future tax charges

The standard rate of corporation tax in the UK changed from 20% to 19% with effect from 1 April 2017. A further reduction to 17% with effect from 1 April 2020 is enacted in the Finance (No.2) Act 2015.

6. Deferred taxation

	2017	2016
	£000	£000
At beginning of year	350	389
Charge for year	(180)	(39)
At end of year	170	350

The provision for deferred taxation is made up as follows:

	2017	2016
	£000	£000
Tax losses carried forward	170	350
	170	350

The Company has a deferred tax asset of £170,000 (2016: £350,000) resulting from unutilised tax losses.

The Directors believe that the carrying value of the deferred tax asset is recoverable.

7. Investments in subsidiaries

The cost and net book value for the investment in subsidiary undertaking of the Company is £5,948,000 (2016: £5,948,000).

Subsidiary undertaking

The following entity was a subsidiary undertaking of the Company:

Name	Address of registered office	Class of shares	Holding	Principle activity
Legg Mason Investments Holdings Limited	201 Bishopsgate, London, EC2M 3AB	Ordinary	100%	Holding company

During the year Legg Mason Investments Holdings Limited was placed into liquidation. The aggregate of the share capital and reserves as at 31 March 2017 was £9,821,000 and the profit for the year ended was £688,000 for Legg Mason Investments Holdings Limited.

The Directors consider that the recoverable value of Legg Mason Investments Holdings Limited is greater than its carrying value in these financial statements.

LM HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

8. Debtors

	2017 £000	2016 £000
Amounts owed by group undertakings	10,712	10,202
Deferred taxation	170	350
	<u>10,882</u>	<u>10,552</u>

In line with the 'Multilateral Netting Agreement', all inter-company debtor and creditor balances of entities covered by the agreement have been netted off against one another.

9. Creditors: Amounts falling due within one year

	2017 £000	2016 £000
Accruals and deferred income	12	10
	<u>12</u>	<u>10</u>

In line with the 'Multilateral Netting Agreement', all inter-company debtor and creditor balances of entities covered by the agreement have been netted off against one another.

10. Called up share capital

	2017 £000	2016 £000
Allotted, called up and fully paid		
3,000,001 (2016: 3,000,001) Ordinary Shares shares of £1 each	3,000	3,000
40,700,000 (2016: 40,700,000) Preference Shares shares of £1 each	40,700	40,700
	<u>43,700</u>	<u>43,700</u>

The Preference Shares have a right to a priority dividend at a rate determined by the Directors, they have priority over the ordinary shareholders on the winding up of the Company and they carry no votes at meetings. The Company may at any time redeem the Preference Shares upon giving to the holder of the Preference Shares not less than one month's notice in writing.

11. Other financial commitments

There were no capital commitments or contingencies at 31 March 2017 (2016: nil).

LM HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

12. Related party transactions

The Company has taken advantage of the exemption available under Financial Reporting Standard 102 not to disclose transactions entered into between two or more members of a group provided that any subsidiary which is party to the transaction is wholly owned by such a member and the consolidated financial statements in which the Company is included are publicly available. In the opinion of the Directors, all material related party transactions have been fully disclosed in the financial statements.

13. Controlling party

The immediate parent undertaking is LM International Holding L.P., a company incorporated and registered in the Cayman Islands, whose financial statements are not consolidated.

The ultimate parent undertaking and controlling party is Legg Mason, Inc., a company incorporated in the United States of America and listed on the New York Stock Exchange.

Legg Mason, Inc., is the parent undertaking of the largest group of undertakings to consolidate these financial statements at 31 March 2017. Copies of the consolidated financial statements of Legg Mason Inc., are available from 100 International Drive, Baltimore, MD 21202, USA.