

LEGAL & GENERAL HOLDINGS No.2 LIMITED

REPORT AND FINANCIAL STATEMENTS

Company Number: 04022350

31 December 2017

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LEGAL & GENERAL HOLDINGS No.2 LIMITED

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Registered Office:
One Coleman Street
London
EC2R 5AA

LEGAL & GENERAL HOLDINGS No.2 LIMITED

STRATEGIC REPORT

For the year ended 31 December 2017

The directors present the Strategic Report for Legal & General Holdings No.2 Limited (the Company) for the year ended 31 December 2017.

Principal activities, review of the business and future developments

In January 2017, the Company completed the sale of its wholly owned subsidiary, Cofunds Limited, to Aegon UK Plc. Following the sale, the proceeds were paid to its parent company via declaration of a dividend. No further transactions are expected and the directors now consider the Company to be dormant.

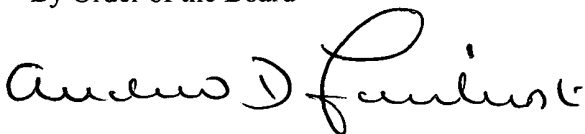
Principal risks and uncertainties

As at December 2017 the Company is considered dormant and therefore the directors are of the opinion that there is minimal exposure to risk and uncertainty.

Key performance indicators

Given the dormant nature of the business, the Company's directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the business.

By Order of the Board



A D Fairhurst
For and on behalf of Legal & General Co Sec Limited
Company Secretary
20 April 2018

LEGAL & GENERAL HOLDINGS No.2 LIMITED

DIRECTORS' REPORT

For the year ended 31 December 2017

The directors present their annual report together with the audited financial statements for the Company for the year ended 31 December 2017.

Events after the reporting period

There are no events to disclose that took place after the reporting period.

Result for the year and dividend

The results of the Company are set out on page 8. The Company declared and paid an interim dividend of £143.6m (2016: £nil). The directors do not recommend the payment of a final dividend (2016: £nil).

Directorate

The directors of the Company who were in office during the year and up to the date of signing the financial statements, together with their dates of appointment and resignation (where appropriate), are shown below:

J D M Noakes	
S R Pistell	(Appointed 21 February 2017)
A J C Craven	(Appointed 31 January 2017)
S G Boylan	(Appointed 21 February 2017)
M P Rudge	(Resigned 31 January 2017)

Independent Auditors

PricewaterhouseCoopers LLP are expected to continue as external auditors of the Company until the Annual General Meeting of Legal & General Group Plc on 17 May 2018 at which point they are expected to resign as auditors of the Company and Group. KPMG LLP are expected to be formally appointed as auditors of the Company and Group from this date.

Directors' indemnities and insurance

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. The ultimate parent company, Legal & General Group Plc, maintains an appropriate level of Directors' and Officers' liability insurance which is reviewed annually.

Statement of director's responsibilities

The directors are responsible for preparing the Strategic Report, 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 the directors have prepared the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) including Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101).

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 judgments and accounting estimates that are reasonable and prudent;

LEGAL & GENERAL HOLDINGS No.2 LIMITED

DIRECTORS' REPORT

For the year ended 31 December 2017

-
- state whether applicable International Financial Reporting Standards (IFRS) as adopted by the European Union and IFRS as issued by the International Accounting Standards Board (IASB), including FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
 - notify the Company's shareholders in writing about the use of disclosure exemptions, if any, of FRS 101 used in the preparation of 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 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 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.

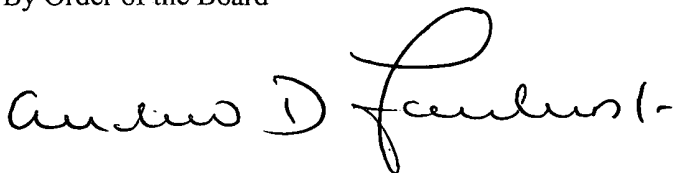
Statement of disclosure of information to auditors

Each of the directors who held office at the date of approval of this Directors' Report confirms that,

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

This confirmation is given in accordance with section 418(2) of the Companies Act 2006.

By Order of the Board



A D Fairhurst

For and on behalf of Legal & General Co Sec Limited

Company Secretary

20 April 2018

LEGAL & GENERAL HOLDINGS No.2 LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LEGAL & GENERAL HOLDINGS No.2 LIMITED

Report on the audit of the financial statements

Opinion

In our opinion, Legal & General Holdings No.2 Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its result for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Report and Financial Statements (the "Annual Report"), which comprise: the statement of financial position as at 31 December 2017, the statement of comprehensive income, the statement of changes in equity for the year then ended; the accounting policies; and the notes to the financial statements.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially

LEGAL & GENERAL HOLDINGS No.2 LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LEGAL & GENERAL HOLDINGS No.2 LIMITED

misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also 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.

In preparing the financial statements, the directors are responsible for 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 the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

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 an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

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

LEGAL & GENERAL HOLDINGS No.2 LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LEGAL & GENERAL HOLDINGS No.2 LIMITED

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.

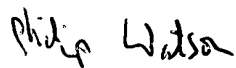
Other required reporting

Companies Act 2006 exception reporting

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 by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Philip Watson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
20 April 2018

LEGAL & GENERAL HOLDINGS No.2 LIMITED

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Note	2017 £'000	2016 £'000
Administrative expenses	2	-	(20,282)
Operating loss		-	(20,282)
Finance income	3	-	1
Loss on before income tax	4	-	(20,281)
Income tax		-	-
Loss and total comprehensive expense for the year		-	(20,281)

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

LEGAL & GENERAL HOLDINGS No.2 LIMITED

STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Note	2017 £'000	2016 £'000
Assets			
Cash and cash equivalents		-	505
Investments held for sale	6	-	147,310
Other receivables	7	4,215	-
Total assets		4,215	147,815
Equity attributable to owners of the Company			
Share capital	8	4,203	4,203
Capital contribution reserve		-	8,200
Retained earnings		12	135,412
Total equity		4,215	147,815
Total equity and liabilities		4,215	147,815

The notes on pages 11 to 14 form an integral part of these financial statements.

The financial statements on pages 8 to 14 were authorised for issue by the board of directors on 20 April 2018 and signed on its behalf by:



S R Pistell, Director



A J C Craven, Director

Registered No. 04022350
One Coleman Street
London
EC2R 5AA

LEGAL & GENERAL HOLDINGS No.2 LIMITED

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	Share capital £'000	Capital contribution reserve £'000	Retained earnings £'000	Total Equity £'000
Balance at 1 January 2017	4,203	8,200	135,412	147,815
Loss for the year	-	-	-	-
Dividend paid	-	(8,200)	(135,400)	143,600
Balance at 31 December 2017	4,203	-	12	4,215

	Share capital £'000	Capital contribution reserve £'000	Retained earnings £'000	Total Equity £'000
Balance at 1 January 2016	4,203	8,200	155,693	168,096
Loss for the year	-	-	(20,281)	(20,281)
Balance at 31 December 2016	4,203	8,200	135,412	147,815

LEGAL & GENERAL HOLDINGS No.2 LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

1. Summary of significant accounting policies

The principal accounting policies of the Company are set out below:

(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

These financial statements have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101). These financial statements have been prepared under the historic cost convention and in accordance with the Companies Act 2006 as applicable to companies using FRS 101.

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 following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- IFRS 7, 'Financial Statements: 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)
- The following paragraphs of IAS 1, 'Presentation of financial statements':
 - (i) 10(d), (statement of cash flows),
 - (ii) (ii) 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),
 - (iii) 16 (a statement of compliance with all IFRS),
 - (iv) 38A (requirement for minimum of two primary statements, including cash flow statements),
 - (v) 38B-D (additional comparative information),
 - (vi) 40A-D (requirements for a third statement of financial position)
 - (vii) 111 (cash flow statement information), and
 - (viii) 134-136 (capital management disclosures)
- IAS 7, 'Statement of cash flows'
- 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)
- The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group.

LEGAL & GENERAL HOLDINGS No.2 LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

1. Summary of significant accounting policies (continued)

(c) Changes in accounting policy and disclosure

No new standards, amendments or interpretations, effective for the first time for the financial year beginning on or after 1 January 2017 have had a material impact on the company.

(d) 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. Final dividends are accrued when approved by the Company's shareholders at the general meeting and interim dividends are recognised when paid.

(e) Investment in subsidiaries

Investments in subsidiary undertakings are carried at cost and are considered for impairment at each reporting date. Where there has been an indication that impairment has occurred, the carrying value is reduced through a charge to the income statement.

(f) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. In the balance sheet, bank overdrafts are shown within borrowings in creditors: amounts due within one year.

(g) Income tax

Income tax comprises current and deferred tax and is recognised in the statement of comprehensive income.

(i) Current tax

Current tax comprises tax payable on current period profits, adjusted for non-tax deductible or non-taxable items, and any adjustments to tax payable in respect of previous periods. Current tax is recognised in the income statement unless it relates to items which are recognised directly to equity or other comprehensive income.

(ii) Deferred tax

Deferred tax is calculated on differences between the accounting value of assets and liabilities and their respective tax values. Deferred tax is also recognised in respect of unused tax losses to the extent it is probable that future taxable profits will arise against which the losses can be utilised. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity or other comprehensive income.

(iii) Tax rates

Following the 2016 Finance Act, the rate of Corporation Tax is expected to reduce progressively to 17% by 1 April 2020. The 19% rate will apply from 1st April 2017 and the 17% rate from 1st April 2020 onwards. The enacted rates of 19-17% have been used in the calculation of UK's deferred tax assets and liabilities, depending on which is the rate of corporation tax that is expected to apply when the differences as mentioned above reverse.

To calculate the current tax on profits, the rate of tax used is 19.25% (2016: 20%), which is the average rate of Corporation Tax applicable for the year.

LEGAL & GENERAL HOLDINGS No.2 LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

2. Administrative expenses

	2017 £'000	2016 £'000
Impairment of investment undertakings	-	(20,282)

In August 2016, the Company announced its intention to sell its wholly owned subsidiary, Cofunds Limited, to Aegon UK Plc. The sale was completed in January 2017.

3. Finance income

	2017 £'000	2016 £'000
Other interest	-	1

4. Loss before income tax

Fees payable to the Company's auditors for the audit of the Company's financial statements were £5,150 (2016: £5,000).

The disclosure of fees payable to the auditors and its associates for other (non-audit) services has not been made because these have been disclosed in the consolidated financial statements of the Company's ultimate holding company.

No emoluments were paid to any director nor were any direct pension contributions paid in respect of services to this Company (2016: £nil).

The Company has no direct employees (2016: none) as they are employed by fellow subsidiaries of Legal & General Group Plc. The Company is not recharged a proportion of the staff costs.

5. Dividend payment

	2017 £'000
Ordinary shares	
£34.17 per £1 share	143,600

An interim dividend of £143.6m was paid by the Company during the year. The directors do not recommend the payment of a final dividend.

LEGAL & GENERAL HOLDINGS No.2 LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

6. Investments held for sale

	2017 £'000	2016 £'000
Investment held for sale at 1 January	147,310	167,592
Subsidiary undertakings sold	(147,310)	-
Impairment	-	(20,282)
Investment in subsidiaries at 31 December	-	147,310

In August 2016, the Company announced its intention to sell its wholly owned subsidiary, Cofunds Limited, to Aegon UK Plc. The sale was completed in January 2017. The company no longer has any directly or indirectly held subsidiaries.

7. Other receivables

	2017 £'000	2016 £'000
Amounts owed by parent undertaking	4,215	-

8. Share capital

	2017 £'000	2016 £'000
"A" ordinary shares:		
Issued: 4,202,881 (2016: 4,202,881) ordinary shares of £1 each	4,203	4,203

9. Cash flow statement

The Company has taken advantage of the exemption under paragraph 8 (h) of FRS 101 from the requirements of IAS 7 Statement of cash flows and hence has not presented a cash flow statement.

10. Related party transactions

The Company has taken advantage of the exemption under paragraph 8 (j) and (k) of FRS 101 from certain requirements under IAS 24 Related party disclosures. These include the requirement to disclose transactions entered into by the Company with other wholly owned members of Legal & General Group Plc, and the requirement to present disclosures on compensation arrangements for key management personnel.

11. Ultimate parent undertaking

The immediate parent undertaking is Legal & General Retail Investments (Holdings) Limited, a company incorporated in England & Wales.

The ultimate parent company and controlling party is Legal & General Group Plc, a company incorporated in England & Wales. Legal & General Group Plc is the parent of the largest and smallest group to consolidate these financial statements. The consolidated financial statements of the ultimate holding company, 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.