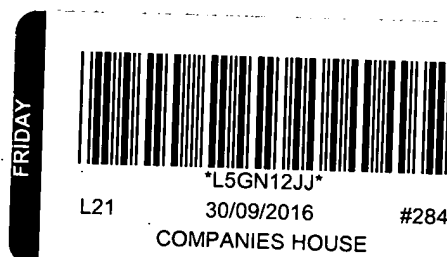


Company Registration No. 02181480 (England and Wales)

**LEGAL & GENERAL (CAERUS) LIMITED
(FORMERLY AERION FUND MANAGEMENT
LIMITED)**

**REPORT AND FINANCIAL STATEMENTS
FOR THE 9 MONTH PERIOD ENDED
31 DECEMBER 2015**



**LEGAL & GENERAL (CAERUS) LIMITED
(FORMERLY AERION FUND MANAGEMENT LIMITED)
COMPANY INFORMATION**

| | |
|--------------------------|--|
| Directors | S F E Aitken S G Boylan A H Meder |
| Secretary | Legal & General Co Sec Limited |
| Company number | 02181480 |
| Registered office | One Coleman Street London EC2R 5AA |
| Auditors | PricewaterhouseCoopers LLP 1 Embankment Place London WC2N 6RH |
| Business address | One Coleman Street London EC2R 5AA |

LEGAL & GENERAL (CAERUS) LIMITED (FORMERLY AERION FUND MANAGEMENT LIMITED) CONTENTS

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| 6 | Statement of total comprehensive income |
| 7 | Balance sheet |
| 8 | Statement of changes in equity |
| 9 | Statement of cash flows |
| 10 - 22 | Notes to the financial statements |

Registered office:
One Coleman Street
London
United Kingdom
EC2R 5AA
Company number 02091894

LEGAL & GENERAL (CAERUS) LIMITED (FORMERLY AERION FUND MANAGEMENT LIMITED) STRATEGIC REPORT

FOR THE 9 MONTH PERIOD ENDED 31 DECEMBER 2015

The directors present the strategic report and financial statements on Legal & General (Caerus) Limited (the "Company") for the period ended 31 December 2015. During the period the Company was authorised and regulated by the Financial Conduct Authority (FCA).

Fair review of the business

At 30 November 2015, the Company was purchased by Legal & General Investment Management (Holdings) Limited from National Grid UK Pension Scheme Trustee Limited and immediately ceased trading. An application was submitted to the FCA, which was subsequently approved, for the removal of the Company's regulatory permissions.


During the period, the Company provided services exclusively to the National Grid UK Pension Scheme (the "Pension Scheme"). The Company was a non-profit making company, with all operating costs being recharged to the Pension Scheme.

The Company is a wholly owned subsidiary of its immediate parent company, Legal & General Investment Management (Holdings) Limited. The Company's ultimate parent company is Legal & General Group Plc.

Financial risk management

Given the Company has ceased trading, the Directors of the Company consider there to be no on-going business risk or uncertainties and the Company's directors are of the opinion that analysis using KPI's is not necessary for an understanding of the business development, performance or position of the business.

On behalf of the board



.....
R A Hall, ACIS

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

29/12/2016

**LEGAL & GENERAL (CAERUS) LIMITED
(FORMERLY AERION FUND MANAGEMENT LIMITED)
DIRECTORS' REPORT
FOR THE 9 MONTH PERIOD ENDED 31 DECEMBER 2015**

The directors present their annual report and audited financial statements for the 9 month period ended 31 December 2015.

Principal activities

The principal activity of the company was that of pension fund management. The company changed its name on 10 December 2015 from Aerion Fund Management Limited to Legal & General (Caerus) Limited.

During the period Legal & General Investment Management (Holdings) Limited acquired ownership of the company and the company ceased to trade on 30 November 2015. Accordingly the financial statements have not been prepared on a going concern basis. Upon acquisition, Legal & General Investment Management (Holdings) Limited assumed responsibility for all assets and liabilities transferred as part of the completion agreement.

Following the company's change in accounting period end the period covered by these financial statements is for 9 months and the comparative figures are for the year to 31 March 2015.

Directors

The directors of the company who served during the 9 month period and up to the date of signing the financial statements, together with the dates of appointment and resignation, where appropriate, are shown below.

| | |
|---------------|------------------------------|
| S F E Aitken | (Appointed 30 November 2015) |
| S G Boylan | (Appointed 30 November 2015) |
| A H Meder | (Appointed 30 November 2015) |
| J Aspinall | (Resigned 30 November 2015) |
| J Flynn | (Resigned 30 November 2015) |
| J Misselbrook | (Resigned 20 May 2015) |
| A Parry | (Resigned 30 November 2015) |
| S J Waldron | (Resigned 30 November 2015) |
| A S Wiltshire | (Resigned 30 November 2015) |

Results and dividends

The results for the 9 month period are set out on page 6.

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

Directors' insurance

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

Auditor

The Company has appointed PricewaterhouseCoopers LLP as auditors.

**LEGAL & GENERAL (CAERUS) LIMITED
(FORMERLY AERION FUND MANAGEMENT LIMITED)
DIRECTORS' REPORT (CONTINUED)**

FOR THE 9 MONTH PERIOD ENDED 31 DECEMBER 2015

Statement of directors' responsibilities

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 102 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.

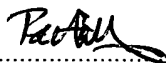
The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies 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 to auditor

In accordance with Section 418, directors' reports shall include a statement, in the case of each director in office at the date the directors' report is approved, that:

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

On behalf of the board



R A Hall, ACIS

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

29/9/2016

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LEGAL & GENERAL (CAERUS) LIMITED (FORMERLY AERION FUND MANAGEMENT LIMITED)

Opinion on financial statements

In our opinion, Legal & General (Caerus) Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2015 and of its result and cash flows for the 9 month period (the "period") 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.

Basis of preparation

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the basis of preparation. During the period the directors have decided that the entity will cease trading. Accordingly, the going concern basis of preparation is no longer appropriate and the financial statements have been prepared on a basis other than going concern as described in note 1 to the financial statements. No adjustments were necessary in these financial statements to reduce assets to their realisable values, to provide for liabilities arising from the decision or to reclassify fixed assets and long-term liabilities as current assets and liabilities.

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

- the balance sheet as at 31 December 2015;
- the statement of comprehensive income for the period then ended;
- the statement of cash flows for the period then ended;
- the statement of changes in equity for the period 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.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial 9 month period for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

- 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.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LEGAL & GENERAL
(CAERUS) LIMITED (CONTINUED)
(FORMERLY AERION FUND MANAGEMENT LIMITED)**

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 3, 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.

Scope of the audit of the financial statements

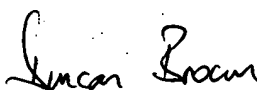
We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error.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

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 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.



Duncan Brown (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP, Statutory Auditor
Chartered Accountants
1 Embankment Place
London
WC2N 6RH

30 September 2016

LEGAL & GENERAL (CAERUS) LIMITED
(FORMERLY AERION FUND MANAGEMENT LIMITED)
STATEMENT OF COMPREHENSIVE INCOME
FOR THE 9 MONTH PERIOD ENDED 31 DECEMBER 2015

| | | 9 month period ended 31 December 2015 £ | Year ended 31 March 2015 £ |
|--|--------------------------|--|---|
| Turnover | Notes 3 | 14,467,754 | 26,314,239 |
| Administrative expenses | | (14,467,829) | (26,314,340) |
| Operating loss | 4 | (75) | (101) |
| Interest receivable and similar income | | 94 | 126 |
| Profit on ordinary activities before taxation | | 19 | 25 |
| Taxation | 8 | (19) | (25) |
| Profit for the financial 9 month period | | - | - |
| Total comprehensive income for the 9 month period | | - | - |

The statement of comprehensive income has been prepared on the basis that all operations ceased during the period.

LEGAL & GENERAL (CAERUS) LIMITED
(FORMERLY AERION FUND MANAGEMENT LIMITED)
BALANCE SHEET

AS AT 31 DECEMBER 2015

| | Notes | As at 31 December 2015 | | As at 31 March 2015 | |
|--|-------|------------------------------|------------|---------------------------|-------------|
| | | £ | £ | £ | £ |
| Fixed assets | | | | | |
| Tangible assets | 9 | | - | | 422,310 |
| Current assets | | | | | |
| Debtors | 10 | 100 | | 6,943,777 | |
| Cash at bank and in hand | | 460,154 | | 1,002,014 | |
| | | <u>460,254</u> | | <u>7,945,791</u> | |
| Creditors: amounts falling due within one year | 11 | (460,154) | | (6,296,153) | |
| Net current assets | | | 100 | | 1,649,638 |
| Total assets less current liabilities | | | 100 | | 2,071,948 |
| Creditors: amounts falling due after more than one year | 12 | | - | | (1,328,848) |
| Provisions for liabilities | 13 | | - | | (743,000) |
| Net assets | | | <u>100</u> | | <u>100</u> |
| Capital and reserves | | | | | |
| Called up share capital | 15 | | 100 | | 100 |

The financial statements on pages 6 to 22 were approved by the board of directors on 29-9-2016 and are signed on its behalf by:


 S G Boylan
 Director

Legal & General (Caerus) Limited
Registered in England & Wales
Company Registration No. 02181480

The notes on pages 10 to 22 form an integral part of these financial statements

LEGAL & GENERAL (CAERUS) LIMITED
(FORMERLY AERION FUND MANAGEMENT LIMITED)
STATEMENT OF CHANGES IN EQUITY
FOR THE 9 MONTH PERIOD ENDED 31 DECEMBER 2015

| | Share capital £ |
|---|--------------------------------|
| Balance at 1 April 2014 | 100 |
| | <hr/> |
| Year ended 31 March 2015: | |
| <i>Loss and total comprehensive income for the year</i> | - |
| | <hr/> |
| Balance at 31 March 2015 | 100 |
| | <hr/> |
| Period ended 31 December 2015: | |
| <i>Loss and total comprehensive income for the period</i> | - |
| | <hr/> |
| Balance at 31 December 2015 | 100 |
| | <hr/> <hr/> |

LEGAL & GENERAL (CAERUS) LIMITED
(FORMERLY AERION FUND MANAGEMENT LIMITED)
STATEMENT OF CASH FLOWS
FOR THE 9 MONTH PERIOD ENDED 31 DECEMBER 2015

| | | 9 month period ended 31 December 2015 | | Year ended 31 March 2015 | |
|---|-------|---|-----------|--------------------------------|-------------|
| | Notes | £ | £ | £ | £ |
| Cash flows from operating activities | | | | | |
| Cash absorbed by operations | 19 | | (541,954) | | (1,028,398) |
| Investing activities | | | | | |
| Purchase of tangible fixed assets | | - | | (445,379) | |
| Interest received | | 94 | | 126 | |
| Net cash generated from/(used in) investing activities | | | 94 | | (445,253) |
| Net decrease in cash and cash equivalents | | | (541,860) | | (1,473,651) |
| Cash and cash equivalents at beginning of 9 month period | | | 1,002,014 | | 2,475,665 |
| Cash and cash equivalents at end of 9 month period | | | 460,154 | | 1,002,014 |

**LEGAL & GENERAL (CAERUS) LIMITED
(FORMERLY AERION FUND MANAGEMENT LIMITED)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE 9 MONTH PERIOD ENDED 31 DECEMBER 2015**

1 Accounting policies

Company information

Legal & General (Caerus) Limited is a company limited by shares incorporated in England and Wales. The registered office is One Coleman Street, London, EC2R 5AA. The company changed its name from Aerion Fund Management Limited on 10 December 2015. The company's principal place of business was 36 Queen Street, London, EC1R 1BN.

The company's principal activities are disclosed in the Directors' Report.

Statement of compliance

The individual financial statements of Legal & General (Caerus) Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006, under the provision of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410).

Transition to FRS102

This is the first year that the Company has presented its results under FRS 102. The last financial statements under UK GAAP were for the year ended 31 March 2015. The date of transition to FRS 102 was 1 April 2014.

Some of the FRS 102 recognition, measurement, presentation and disclosures requirements and accounting policy choices differ from the previous UK GAAP. Consequently, the directors have amended certain accounting policies to comply with FRS 102. The directors have also taken advantage of certain exemptions from the requirements of FRS 102 permitted by FRS 102 Chapter 35 "Transition to this FRS 102".

The reported financial position and financial performance for previous period are not affected by the transition to FRS 102.

Summary of significant accounting policies

Basis of preparation

The financial statements have been prepared on a basis other than going concern, as a result of the Company ceasing to trade on 30 November 2015. This has not affected the valuation of assets and liabilities within the financial statements as at the period end.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

Turnover

Turnover represents the amount recoverable from the Pension Scheme under the terms of the Investment Management agreement, plus other miscellaneous fee income. Turnover is recognised on an accruals basis.

**LEGAL & GENERAL (CAERUS) LIMITED
(FORMERLY AERION FUND MANAGEMENT LIMITED)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE 9 MONTH PERIOD ENDED 31 DECEMBER 2015**

1 Accounting policies (Continued)

Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

| | |
|--------------------------------|----------------------------|
| Infrastructure & refurbishment | Straight line over 5 years |
| Hardware & software | Straight line over 3 years |
| Furniture | Straight line over 5 years |

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

Financial instruments

The Company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include trade and other receivables and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the financial asset is measured at the present value of the future receipts discounted at a market rate of interest.

Other financial assets classified at fair value through the profit and loss account are measured at fair value.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

**LEGAL & GENERAL (CAERUS) LIMITED
(FORMERLY AERION FUND MANAGEMENT LIMITED)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE 9 MONTH PERIOD ENDED 31 DECEMBER 2015**

1 Accounting policies (Continued)

Basic financial liabilities

Basic financial liabilities, including trade and other payables, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the company's contractual obligations are discharged, cancelled, or they expire.

Taxation

The tax expense represents the sum of the current tax expense and deferred tax expense. Current tax assets are recognised when tax paid exceeds the tax payable.

Current and deferred tax is charged or credited to the profit or loss, except when it relates to items charged or credited to other comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive income, or equity.

Current tax assets and current tax liabilities and deferred tax assets and deferred tax liabilities are offset, if and only if, there is a legally enforceable right to set off the amounts and the entity intends either to settle on the net basis or to realise the asset and settle the liability simultaneously.

Current tax is based on taxable profit for the year. Taxable profit differs from total comprehensive income because it excludes items of income or expense that are taxable or deductible in other periods. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting period.

Provisions

Provisions are recognised when the Company has a legal or constructive present obligation as a result of a past event, it is probable that the company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation.

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value. When a provision is measured at present value the unwinding of the discount is recognised as a finance cost in profit or loss in the period it arises.

**LEGAL & GENERAL (CAERUS) LIMITED
(FORMERLY AERION FUND MANAGEMENT LIMITED)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE 9 MONTH PERIOD ENDED 31 DECEMBER 2015**

1 Accounting policies (Continued)

Retirement benefits

Employees who joined Legal & General (Caerus) Limited before 1 April 2002 are entitled to join the Defined Benefit Section of the National Grid UK Pension Scheme (the Pension Scheme). The Pension Scheme is valued by an actuary at least every 3 years in order to ensure that the level of contributions is sufficient to pay the benefits as set out in the Pension Scheme's rules. The Pension Scheme was valued in 2013 by a qualified actuary.

Employees who joined Legal & General (Caerus) Limited on or after April 2002 are eligible to join the National Grid YouPlan.

A provision has been made in respect of a previous chief Executive's pension benefits which cannot be fully met from the Pension Scheme as his pensionable pay exceeds the permitted maximum allowed under the Income and Corporation Taxes Act 1988. See note 13.

The cost of providing pension benefits is charged to the profit and loss account on the basis of the contributions due to the Pension Scheme during the period.

Leases

Rentals payable under operating leases, including any lease incentives received, are charged to income on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

Foreign exchange

Transactions in currencies other than the functional currency (foreign currency) are initially recorded at the exchange rate prevailing on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies are translated at the rate ruling at the date of the transaction, or, if the asset or liability is measured at fair value, the rate when that fair value was determined.

All translation differences are taken to profit or loss, except to the extent that they relate to gains or losses on non-monetary items recognised in other comprehensive income, when the related translation gain or loss is also recognised in other comprehensive income.

2 Judgements and key sources of estimation uncertainty

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

The Company has ceased trading and the financial statements have been prepared under the expectation that no trading will occur in the next financial year and that all assets and liabilities have, or will be transferred to its parent company, Legal & General Investment Management (Holdings) Limited.

LEGAL & GENERAL (CAERUS) LIMITED
(FORMERLY AERION FUND MANAGEMENT LIMITED)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE 9 MONTH PERIOD ENDED 31 DECEMBER 2015

3 Turnover and other revenue

An analysis of the company's turnover is as follows:

| | 31 December 2015 £ | 31 March 2015 £ |
|--|-----------------------------------|--------------------------------|
| Turnover analysed by class of business | | |
| Recovery of net costs from Trustees of the National Grid UK Pension Scheme | 14,467,754 | 26,314,239 |
| | <u> </u> | <u> </u> |
| Interest receivable and similar income | 94 | 126 |
| | <u> </u> | <u> </u> |

Turnover analysed by geographical market

| | 31 December 2015 £ | 31 March 2015 £ |
|----|-----------------------------------|--------------------------------|
| UK | 14,467,754 | 26,314,239 |
| | <u> </u> | <u> </u> |

4 Operating loss

| | 31 December 2015 £ | 31 March 2015 £ |
|---|-----------------------------------|--------------------------------|
| Operating loss for the period is stated after charging: | | |
| Exchange losses/(gains) | 6,020 | 28,554 |
| Depreciation of owned tangible fixed assets | 59,736 | 35,605 |
| Loss on disposal of tangible fixed assets | 362,574 | 20,450 |
| Operating lease charges | 261,805 | 226,945 |
| | <u> </u> | <u> </u> |

5 Auditors' remuneration

| | 31 December 2015 £ | 31 March 2015 £ |
|---|-----------------------------------|--------------------------------|
| Fees payable to the company's auditor and its associates: | | |
| For audit services | | |
| Audit of the company's financial statements | 28,000 | 27,350 |
| | <u> </u> | <u> </u> |
| For other services | | |
| Other taxation services | 217,401 | 58,650 |
| | <u> </u> | <u> </u> |

LEGAL & GENERAL (CAERUS) LIMITED
(FORMERLY AERION FUND MANAGEMENT LIMITED)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE 9 MONTH PERIOD ENDED 31 DECEMBER 2015

6 Employees

The average monthly number of persons (including directors) employed by the company during the 9 month period/ year was:

| | 31 December 2015 | 31 March 2015 |
|-----------------------|-----------------------------|--------------------------|
| Fund management staff | 28 | 25 |
| Administrative staff | 8 | 14 |
| | <u>36</u> | <u>39</u> |

Their aggregate remuneration comprised:

| | 31 December 2015 £ | 31 March 2015 £ |
|---------------------------------------|-----------------------------------|--------------------------------|
| Wages and salaries | 5,755,864 | 5,068,065 |
| Social security costs | 808,171 | 709,310 |
| Pension costs | 730,056 | 658,420 |
| | <u>7,294,091</u> | <u>6,435,795</u> |
| Redundancy payments made or committed | <u>532,447</u> | <u>418,601</u> |

Up to June 2012, under the terms of Legal & General (Caerus) Limited's Long Term Incentive Plan (LTIP) eligible employees might, at the Board's annual discretion, have been awarded up to 100% of their annual bonus as an additional long-term bonus. This was payable after two years, provided that the individual was still employed by Legal & General (Caerus) Limited.

However as of 1 July 2012, Legal & General (Caerus) Limited introduced a new annual reward programme; the Variable Pay Scheme (VPS), which supersedes the LTIP and Annual Performance Bonus. The VPS allows for the deferral of 50% of the total awarded to investment managers and senior support staff within an annual performance period. The deferred element is payable in equal instalments over a three year period; commencing 15 months, post the respective performance period for which the bonus has been awarded. Legal & General Investment Management (Holdings) Limited has assumed responsibility for the deferred obligation outstanding at 31 December 2015.

The annual reward programme ceased on 31 December 2015.

LEGAL & GENERAL (CAERUS) LIMITED
(FORMERLY AERION FUND MANAGEMENT LIMITED)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE 9 MONTH PERIOD ENDED 31 DECEMBER 2015

7 Directors' remuneration

| | 31 December 2015 £ | 31 March 2015 £ |
|---|-----------------------------------|--------------------------------|
| Remuneration for qualifying services | 569,156 | 801,667 |
| Company pension contributions | 17,621 | 19,800 |
| Payments in lieu of pension contributions | - | 30,000 |
| Compensation for loss of office | - | 128,200 |
| | <u>586,777</u> | <u>979,667</u> |

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 1 (2015 - 1).

Remuneration disclosed above include the following amounts paid to the highest paid director:

| | | |
|---|----------------|----------------|
| Remuneration for qualifying services | 564,156 | 561,409 |
| Company pension contributions | 16,513 | - |
| Payments in lieu of pension contributions | - | 30,000 |
| | <u>580,669</u> | <u>591,409</u> |

The CEO and COO were the only paid Executive Directors during the period.

The CEO elected to receive monthly cash payments in lieu of pension contributions; whereas, the COO participates in National Grid YouPlan.

Included in the above value of £564,156 (March 2015 - £561,409) for the total remuneration receivable by the highest paid director for compensation for loss of directorship is £nil (March 2015 - £128,200).

8 Taxation

| | 31 December 2015 £ | 31 March 2015 £ |
|--|-----------------------------------|--------------------------------|
| Current tax | | |
| UK corporation tax on profits for the current period | <u>19</u> | <u>25</u> |

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8 Taxation (Continued)

The charge for the 9 month period can be reconciled to the profit per the statement of comprehensive income as follows:

| | 31 December 2015 £ | 31 March 2015 £ |
|--|--------------------------|-----------------------|
| Profit before taxation | 19 | 25 |
| Expected tax charge based on the standard rate of corporation tax in the UK of 20.00% (2015: 20.00%) | 4 | 5 |
| Tax effect of expenses that are not deductible in determining taxable profit | 15 | 20 |
| Tax effect of income not taxable in determining taxable profit | - | (11,211) |
| Capital allowances for year in excess of depreciation | - | 11,211 |
| Tax expense for the period | 19 | 25 |

9 Tangible fixed assets

| | Infrastructure & refurbishment £ | Hardware & software £ | Furniture £ | Total £ |
|--|--|-----------------------------|----------------|------------|
| Cost | | | | |
| At 1 April 2015 | 413,950 | 20,452 | 27,430 | 461,832 |
| Disposals | (413,950) | (20,452) | (27,430) | (461,832) |
| At 31 December 2015 | - | - | - | - |
| Depreciation and impairment | | | | |
| At 1 April 2015 | 20,697 | 17,453 | 1,372 | 39,522 |
| Depreciation charged in the 9 month period | 55,192 | 888 | 3,656 | 59,736 |
| Eliminated in respect of disposals | (75,889) | (18,341) | (5,028) | (99,258) |
| At 31 December 2015 | - | - | - | - |
| Carrying amount | | | | |
| At 31 December 2015 | - | - | - | - |
| At 31 March 2015 | 393,253 | 2,999 | 26,058 | 422,310 |

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10 Debtors

| | 31 December 2015 £ | 31 March 2015 £ |
|---|--------------------------|-----------------------|
| Amounts falling due within one year: | | |
| Amounts owed by National Grid UK Pension Scheme | - | 5,496,074 |
| Amounts due from National Grid Plc | - | 152,607 |
| Other debtors | 100 | 1,295,096 |
| | <u>100</u> | <u>6,943,777</u> |

11 Creditors: amounts falling due within one year

| | 31 December 2015 £ | 31 March 2015 £ |
|------------------------------------|--------------------------|-----------------------|
| Trade creditors | - | 163,163 |
| Corporation tax | - | 25 |
| Other taxation and social security | - | 1,124,686 |
| Other creditors | 460,154 | 4,806,891 |
| Accruals and deferred income | - | 201,388 |
| | <u>460,154</u> | <u>6,296,153</u> |

12 Creditors: amounts falling due after more than one year

| | 31 December 2015 £ | 31 March 2015 £ |
|-----------------|--------------------------|-----------------------|
| Other creditors | - | 1,328,848 |
| | <u>-</u> | <u>1,328,848</u> |

The balance of £nil (March 2015 - £1,328,848) relates to long term bonuses and related employer's national insurance contributions.

13 Provisions for liabilities

| | 31 December 2015 £ | 31 March 2015 £ |
|--|--------------------------|-----------------------|
| | - | 743,000 |
| | <u>-</u> | <u>743,000</u> |

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13 Provisions for liabilities (Continued)

This provision relates to pension commitments to a former Chief Executive whose pension benefits cannot be fully met from the Pension Scheme, as his pensionable pay exceeds the permitted maximum allowed under the Income and Corporation Taxes Act 1988. The liability was paid on 30 September 2015. The value of the liability at the period end amounted to £nil (March 2015 - £743,000).

14 Retirement benefit schemes

Defined contribution schemes

The Company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the Company in an independently administered fund.

From 1 April 2002 new employees were entitled to join the Scheme's Defined Contribution (DC) Section. Contributions to the DC Section ceased with effect from 31 October 2013 and all contributing members at 1 November 2013 became contributing members of a new DC arrangement - National Grid YouPlan (YouPlan). From 1 November 2013, new employees are entitled to join YouPlan.

Members of YouPlan choose to pay 3%, 4% 5% or 6% of pensionable salary and depending on the level of contributions chosen by the member, the Company pays, 6%, 8% 10% or 12%, respectively.

For the period ended 31 December 2015 the Company paid 1.2% (March 2015 - 1.2%) of pensionable salary to National Grid towards risk benefits for YouPlan contributing members.

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14 Retirement benefit schemes (Continued)

Defined benefit scheme

All employees who joined Legal & General (Caerus) Limited before 1 April 2002 belong to the funded Defined Benefit (DB) Section of the National Grid UK Pension Scheme (the Scheme). However, the contributions paid by the Company are accounted for as if the DB Section were a defined contribution scheme, as the Company is unable to identify its share of the underlying assets and liabilities in the Scheme, on a reasonable and consistent basis. For the period ended 31 December 2015, employees contributed 3.0% of their pensionable salary (March 2015 - 3.0%) and the company contributes 33.0% of pensionable salary (March 2015 - 33.0%). For the period ended 31 December 2015, the Company was not required to contribute towards administration expenses and the Pension Protection Fund Levy as the amount is immaterial (March 2015 - immaterial).

The principal benefits of the DB Section are:

Normal retirement age is 65. There is provision for early retirement from the age of 55 in certain circumstances and relevant employees may take early retirement from age 60 without reduction. Pensions in payment and deferred pensions are increased in line with price inflation. Death benefits, including dependants' pensions and ill-health early retirement benefits are also payable.

At the last completed actuarial valuation as at 31 March 2013, the DB Section was 90.0% funded on an on-going (technical provisions) basis. The key assumptions used in assessing the DB Section's liabilities were:

Real annual Investment Returns for:

| | |
|----------------------------|---------|
| Gilts | (0.45%) |
| Corporate Bonds | 0.00% |
| Equity | 2.74% |
| Property | 2.74% |
| Cash | (0.80%) |
| Real Annual Pay Escalation | 0.50% |
| Annual Price Inflation | 3.60% |

The DB Section of the Scheme was closed to new entrants from 1 April 2002.

Following its acquisition by Legal & General Investment Management (Holdings) Limited, the Company has no direct employees. Employees are employed by either the parent company Legal & General Investment Management (Holdings) Limited or an affiliate, Legal & General Resources Limited. The Company can be recharged a proportion of costs incurred, however no such recharge has been made as at 31 December 2015.

The total pension cost charge represents contributions payable by the Company to the funds and amounted to £730,056 (March 2015 - £658,420).

15 Share capital

| | 31 December 2015 £ | 31 March 2015 £ |
|--------------------------------|--------------------------|-----------------------|
| Ordinary share capital | | |
| Issued and fully paid | | |
| 100 Ordinary shares of £1 each | 100 | 100 |

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16 Operating lease commitments

Lessee

At 30 November 2015 the Company's lease commitments were taken over by Legal & General Investment Management (Holdings) Limited. The company therefore had no outstanding commitments for future minimum lease payments under non-cancellable operating leases for the current period. The prior year commitments which fall due are as follows:

| | 31 December 2015 £ | 31 March 2015 £ |
|----------------------------|--------------------------|-----------------------|
| Within one year | - | 318,396 |
| Between two and five years | - | 1,208,352 |
| In over five years | - | 1,309,048 |
| | <u>-</u> | <u>2,835,796</u> |
| | <u>-</u> | <u>2,835,796</u> |

17 Related party transactions

Remuneration of key management personnel

The remuneration of key management personnel, who are also directors, is as follows.

| | 31 December 2015 £ | 31 March 2015 £ |
|------------------------|--------------------------|-----------------------|
| Aggregate compensation | 586,777 | 959,867 |
| | <u>586,777</u> | <u>959,867</u> |

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17 Related party transactions (Continued)

Legal & General (Caerus) Limited provided investment management services to the Pension Scheme and recharges all net costs to the Pension Scheme.

During the period, P Sharman, S Waldron and J Misselbrook served as directors of the company up to their resignation. As part of their service they received remuneration from the company, this has been disclosed within the profit and loss account.

During the period J Aspinall, J Flynn and A Wiltshire served as directors of the company up to their resignation. They are also members of the pension scheme that is managed by the entity. The transactions undertaken have been disclosed within the profit and loss account.

At the period end £nil (March 2015 - £5,496,074) was due from National Grid UK Pension Scheme this is included within debtors. During the prior year, the company regarded The National Grid UK Pension Scheme Trustee Limited as being the immediate and ultimate controlling party of the company.

J Aspinall, J Flynn and A Wiltshire are members of the Pension Scheme. A number of transactions are conducted with the Pension Scheme. These are disclosed elsewhere in the financial statements.

At the balance sheet date £460,154 (March 2015 - £nil) was owed to Legal & General Investment Management (Holdings) Limited. This is included within other creditors due within one year.

18 Controlling party

The immediate parent company is Legal & General Investment Management (Holdings) Limited, a company registered in England and Wales.

The ultimate parent company is Legal & General Group Plc, a company incorporated in England and Wales - the controlling party which consolidates the financial statements of the Company. Copies of the financial statements of the ultimate holding company, Legal & General Group Plc, are available on the group website, www.legalandgeneral.com or from the Company Secretary at the Registered Office, One Coleman Street, London, United Kingdom, EC2R 5AA.

19 Cash generated from operations

| | 31 December 2015 £ | 31 March 2015 £ |
|--|-----------------------------------|--------------------------------|
| Loss for the year after tax | - | - |
| Adjustments for: | | |
| Taxation charged | 19 | 25 |
| Investment income | (94) | (126) |
| Loss on disposal of tangible fixed assets | 362,574 | 20,450 |
| Depreciation and impairment of tangible fixed assets | 59,736 | 35,605 |
| (Decrease)/increase in provisions | (743,000) | 66,486 |
| Movements in working capital: | | |
| Decrease/(increase) in debtors | 6,943,677 | (2,252,565) |
| (Decrease)/increase in creditors | (7,164,866) | 1,101,727 |
| Cash absorbed by operations | (541,954) | (1,028,398) |