



# Royal London Far East Growth Trust

Final report for the year  
ended 31 December 2008

## TRUST INFORMATION

<b>Contents</b>	<b>Page</b>
<b>Management and professional services</b>	1
<b>Manager's investment report</b>	2
<b>Net asset value per unit, performance record, comparative table and total expense ratio</b>	3
<b>Statement of Manager's responsibilities</b>	4
<b>Statement of Trustee's responsibilities</b>	4
<b>Report of the Trustee to the Unitholders of The Royal London Far East Growth Trust</b>	4
<b>Independent Auditors' report to the Unitholders of The Royal London Far East Growth Trust</b>	5
<b>Financial statements:</b>	
Statement of total return for the year ended 31 December 2008	6
Statement of change in Unitholders' net assets for the year ended 31 December 2008	6
Portfolio Statement as at 31 December 2008	7
Balance Sheet as at 31 December 2008	9
Summary of material portfolio changes for the year ended 31 December 2008	10
Notes to the financial statements for the year ended 31 December 2008	11
Distribution table for the year ended 31 December 2008	19
<b>Fact File</b>	20

### Manager

#### **Royal London Unit Trust Managers Limited**

Place of business and Registered office:  
55 Gracechurch Street, London, EC3V 0UF

*Authorised and regulated by the Financial Services Authority; a member of the Investment Management Association (IMA).*

T: 020 7506 6500

F: 020 7506 6503

**Directors:** M.J. Yardley, A.S. Carter, R.S. James, J.B. Platt, J.H. Coffey, R.E. Talbut, P. Doran (resigned 16 May 2008)

### Investment Adviser

#### **Royal London Asset Management Limited**

Place of business and Registered office:  
55 Gracechurch Street, London, EC3V 0UF

*Authorised and regulated by the Financial Services Authority.*

### Trustee

#### **HSBC Bank plc**

8 Canada Square, Canary Wharf, London, E14 5HQ

*Authorised and regulated by the Financial Services Authority.*

### Registrar

#### **International Financial Data Services Limited**

The Register may be inspected at:  
IFDS House, St Nicholas Lane, Basildon, Essex, SS15 5FS

*Authorised and regulated by the Financial Services Authority.*

### Auditors

#### **PricewaterhouseCoopers LLP**

Erskine House, 68-73 Queen Street, Edinburgh, EH2 4NH

## MANAGER'S INVESTMENT REPORT

### Trust performance

During the year to 31st December 2008, the bid price of the Fund's units decreased -28.87% (from 288.9p to 205.5p). The peer group, the IMA Far East (ex Japan) sector median, returned -33.12% over the same period.

### Economic and stock market background

Global economic outlooks deteriorated rapidly during the course of the year. Not only the worsening credit markets have claimed more high profile victims such as Bear Stearns and Lehman Brothers, the problems in the financial sectors have spread to the general economy. The only silver lining of the economic slowdown is the sharp drop of commodity prices, oil in particular. As inflation fear fades, global central banks have been cutting interest rates aggressively during the second half of the year. In addition, various fiscal stimulus packages have been announced by governments around the world in an attempt to mitigate some of the negative impacts.

Although the Asian financial sectors are not heavily exposed to the sub-prime loan problems, Asia economies do rely heavily on exports and the effect of slowing global economy has begun to adversely affect the economies in the region in the second half of the year. Even the growth power house of China is not immune. Nevertheless, Asian economies in general have a more solid fundamental in terms of fiscal balance and saving ratios. In addition, central banks in the region have significantly tightened monetary policies beforehand. These have allowed ample scope for both fiscal and monetary stimulus.

Credit crunch and a looming global recession did not bode well for equity markets. Asian equities have fallen heavily in line with their global counterparts. The returns in Sterling terms could be much worse if not for the weakness of the Pound. Only the extremely defensive sectors manage to hold their ground (in local currency terms) in 2008.

On a sector level Utilities, Health Care and Telecommunication performed well. However, the Industrial, Financial and Basic materials sectors deteriorated further in what has proven to be a volatile year.

### Portfolio Commentary

Given a deteriorating economic outlook, the fund has maintained a defensive portfolio for most of the year though tactically the fund has acquired beta occasionally when the markets appeared oversold. The overweight position in China related stocks was trimmed at the start of the year on valuation concerns but the fund remained overweighted given its long term appeals.

Examples of good relative performance from performing stocks which the Fund has held over the year include:

- **CLP Holding** (-1.2%): a HK utility company with steady earning base.
- **Chunghwa Telecom** (-0.2%): the biggest telecom operator in Taiwan with a strong balance sheet and stable earnings.
- **KT & G** (-0.8%): a Korean tobacco company. Business has low correlation with economic growth.

### Outlook

The economic conditions will remain challenging in the short to medium term. However, given the efforts by the governments and central banks globally to reflate the economy and the big fall of equities this year, the market may start to discount a recovery in 2009.

The fund will remain defensive. However, market sentiment and credit conditions will be monitored closely to establish whether an inflexion point is in sight. A long term positive view on China will be maintained.

**Edward Chan**  
**Fund Manager**

**February 2009**

## NET ASSET VALUE PER UNIT, PERFORMANCE RECORD, COMPARATIVE TABLE AND TOTAL EXPENSE RATIO

### Trust Size

Date	Net asset value £'000	Net asset value per unit p	Number of units in Issue
31/12/08	268,336	210.33	127,575,938
31/12/07	231,256	290.30	79,661,366
31/12/06	192,362	214.34	89,745,912

### Unit Price Range

Year	Highest Sale (offer) p	Lowest Redemption (bid) p
2008	313.20	166.00
2007	327.70	208.50
2006	224.20	175.40
2005	196.20	138.60
2004	149.10	117.40

### Net Income Information

Calendar Year	Pence Per unit	Per £1,000 invested on 2 January 2004
2008	5.39	38.80
2007	3.69	26.57
2006	2.23	16.05
2005	2.98	21.45
2004	1.32	9.50

### Total Expense Ratio

Date	Percentage %
31/12/08	1.06
31/12/07	1.06

Past performance is not a guide to future performance. Investors are reminded that the price of units and the income from them is not guaranteed and may go down as well as up.

## STATEMENT OF MANAGER'S RESPONSIBILITIES IN RESPECT OF THE REPORT AND ACCOUNTS OF THE SCHEME

The Financial Services Authority's Collective Investment Scheme Sourcebook requires the Manager to prepare financial statements for each annual accounting year which give a true and fair view of the financial affairs of the Scheme and of the net income or expenses and net gains or losses on the property of the Scheme for the year. In preparing the financial statements the Manager is required to:

- select suitable accounting policies and then apply them consistently;
- comply with the requirements of the Statement of Recommended Practice for Authorised Funds issued by the IMA in December 2005;
- follow generally accepted accounting principles and applicable accounting standards;
- keep proper accounting records which enable it to demonstrate that the financial statements as prepared comply with the above requirements;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Trust will continue in operation.

The Manager is responsible for the management of the Scheme in accordance with its Trust Deed, the Scheme Particulars and the Regulations and for taking reasonable steps for the prevention of fraud, error and non-compliance with laws and regulations.

## STATEMENT OF TRUSTEE'S RESPONSIBILITIES IN RESPECT OF THE REPORT AND ACCOUNTS OF THE SCHEME

The Trustee is responsible for the safekeeping of all of the property of the scheme (other than tangible moveable property) which is entrusted to it and for the collection of income that arises from that property.

It is the duty of the Trustee to take reasonable care to ensure that the scheme is managed by the authorised fund manager in accordance with the Financial Services Authority's Collective Investment Schemes Sourcebook ("The Sourcebook"), the scheme's Trust Deed and Prospectus, in relation to the pricing of, and dealings in, units in the scheme; the application of income of the scheme; and the investment and borrowing powers of the scheme.

## REPORT OF THE TRUSTEE TO THE UNITHOLDERS OF THE ROYAL LONDON FAR EAST GROWTH TRUST

Having carried out such procedures as we consider necessary to discharge our responsibilities as Trustee of the scheme, it is our opinion, based on the information available to us and the explanations provided, that in all material respects the Manager:

- (i) has carried out the issue, sale, redemption and cancellation, and calculation of the price of the scheme's units and the application of the scheme's income in accordance with the Sourcebook, the Trust Deed and Prospectus, and
- (ii) has observed the investment and borrowing powers and restrictions applicable to the scheme.

**HSBC Bank plc**  
*Trustee*

**15 January 2009**

## INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF THE ROYAL LONDON FAR EAST GROWTH TRUST

We have audited the financial statements of the Royal London Far East Growth Trust ('the Trust') for the year ended 31 December 2008 which comprise the statement of total return, the statement of change in unitholders' net assets, the portfolio statement, the balance sheet, the summary of material portfolio changes, the related notes and the distribution table. These financial statements have been prepared under the accounting policies set out therein.

### Respective responsibilities of the Manager and Auditors

The Manager's responsibilities for preparing the annual report and financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of Manager's responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland) and the requirements of the Collective Investment Schemes Sourcebook. This report, including the opinion, has been prepared for and only for the unitholders of the Trust as a body in accordance with paragraph 4.5.12 of the Collective Investment Schemes Sourcebook and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Statement of Recommended Practice for Authorised Funds issued by the IMA in December 2005, the Collective Investment Schemes Sourcebook and the Trust Deed. We also report to you whether, in our opinion, proper accounting records for the Trust have not been kept or whether the financial statements are not in agreement with those records and whether the information given in the Manager's Report is consistent with the financial statements. In addition, we state whether we have obtained all the information and explanations necessary for the purposes of our audit.

We read the other information contained in the annual report and consider whether it is consistent with the audited financial statements. This other information comprises only the Manager's Report and the other items set out on the contents page. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

### Basis of audit opinion

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

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

### Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the financial position of the Trust at 31 December 2008 and of the net income and the net losses of the property of the Trust for the year then ended; and
- have been properly prepared in accordance with the Statement of Recommended Practice for Authorised Funds issued by the IMA in December 2005, the Collective Investment Schemes Sourcebook and the Trust Deed.

We have obtained all the information and explanations we consider necessary for the purpose of the audit.

In our opinion the information given in the Manager's Report is consistent with the financial statements.

### PricewaterhouseCoopers LLP

*Chartered Accountants and Registered Auditors*

**17 February 2009**

**Edinburgh**

The financial statements are published on the [www.rlam.co.uk](http://www.rlam.co.uk) website maintained by Royal London Asset Management Limited ("RLAM"). The maintenance and integrity of the website maintained by RLAM or any of its subsidiaries is, so far as it relates to the Trust, the responsibility of RLAM. The work carried out by the auditors does not involve consideration of the maintenance and integrity of this website and accordingly, the auditors accept no responsibility for any changes that have occurred to the financial statements since they were initially presented on the website. Visitors to the website need to be aware that the legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in their jurisdiction.

## FINANCIAL STATEMENTS

### Statement of total return

for the year ended 31 December 2008

	Notes	31 December 2008		31 December 2007	
		£'000	£'000	£'000	£'000
Net (losses)/gains on investments during the year	2		(66,209)		63,822
Other gains/(losses)	3		2,187		(418)
Income	4	8,773		6,595	
Expenses	5	(2,319)		(2,365)	
Finance costs: Interest	7	(8)		(4)	
Net income before taxation		6,446		4,226	
Taxation	6	(1,503)		(989)	
Net income after taxation for the year			4,943		3,237
<b>Total return before distribution</b>			<b>(59,079)</b>		<b>66,641</b>
Finance costs: Distributions	7		(4,851)		(3,175)
<b>Change in net assets attributable to unitholders</b>			<b>(63,930)</b>		<b>63,466</b>

### Statement of change in Unitholders' net assets

for the year ended 31 December 2008

	Notes	31 December 2008		31 December 2007	
		£'000	£'000	£'000	£'000
<b>Net assets at the start of the year</b>			<b>231,256</b>		<b>192,362</b>
Movement due to sales and repurchases of units:					
Amounts received on creation of units		33,184		3,190	
Amounts transferred from other funds*		61,896			
Less: Amounts paid on cancellation of units		(201)		(30,801)	
			94,879		(27,611)
Change in net assets attributable to unitholders			(63,930)		63,466
Retained distribution on accumulation units	7		6,131		3,039
<b>Net assets at the end of the year</b>			<b>268,336</b>		<b>231,256</b>

\* These large creations in October and November 2008 relate to an institutional client moving assets from another Royal London Unit Trust in response to a change in their investment objective. The October creation consisted of a stock value of £15,259,874 and cash of £8,061,379. The November creation consisted of stock value of £5,725,266 and cash of £4,137,079.

## Financial Statements

## Portfolio statement

as at 31 December 2008

Holding	Investment	Bid-Market value (£'000)	Total net assets (%)
<b>Australia - 34.38% (2007 - 32.50%)</b>			
<b>Basic Materials - 7.22%</b>			
809,182	BHP Billiton	11,929	4.45
452,255	Incitec Pivot	540	0.20
193,875	Newcrest Mining	3,102	1.16
456,323	OneSteel	540	0.20
254,568	Orica	1,716	0.64
82,689	Rio Tinto	1,523	0.57
<b>Consumer Goods - 0.80%</b>			
367,638	Coca-Cola Amatil	1,613	0.60
1,702,183	Futuris Corporation	532	0.20
<b>Consumer Services - 3.43%</b>			
21,168	ABC Learning Centres	-	-
1,544,452	Qantas Airways	1,955	0.73
181,550	Wesfarmers	1,582	0.59
438,279	Woolworths	5,655	2.11
<b>Financials - 12.78%</b>			
975,683	Australia and New Zealand Banking	7,225	2.69
942,861	AXA Asia Pacific	2,250	0.84
248,406	Commonwealth Bank of Australia	3,475	1.30
73,516	Macquarie Group	1,027	0.38
278,736	National Australia Bank	2,816	1.05
414,742	QBE Insurance Group	5,159	1.92
959,487	Stockland Trust	1,861	0.69
464,532	Westfield Group	2,917	1.09
923,682	Westpac Banking	7,561	2.82
<b>Healthcare - 2.43%</b>			
239,711	CSL	3,917	1.46
370,865	Sonic Healthcare	2,608	0.97
<b>Industrials - 2.91%</b>			
121,563	Leighton	1,627	0.61
1,407,039	Macquarie Airports	1,603	0.60
1,955,622	Macquarie Infrastructure Group	1,574	0.59
691,994	Toll Holdings	2,060	0.77
346,687	Transurban Group	903	0.34
<b>Oil &amp; Gas - 3.17%</b>			
1,130,463	Oil Search	2,522	0.94
408,588	Origin Energy	3,150	1.17
394,674	Santos	2,838	1.06
<b>Telecommunications - 1.64%</b>			
2,374,703	Telstra Corporation	4,399	1.64
<b>Hong Kong - 23.12% (2007 - 24.09%)</b>			
<b>Consumer Goods - 0.88%</b>			
1,034,000	Hengan International Group	2,278	0.85
21,170,000	Universe International Holdings	85	0.03
<b>Financials - 8.06%</b>			
1,230,000	BOC Hong Kong Holdings	957	0.36
581,000	Cheung Kong Holdings	3,812	1.42
2,818,000	China Overseas Land & Investments	2,721	1.01
112,720	China Overseas Land & Investments nil paid**	-	-

Holding	Investment	Bid-Market value (£'000)	Total net assets (%)
428,000	Dah Sing Finance Holdings	757	0.28
355,800	Hang Seng Bank	3,247	1.21
244,800	Hong Kong Exchanges & Clearing	1,617	0.60
3,010,000	New World Development	2,102	0.79
2,964,000	Sino Land	2,128	0.79
742,000	Sun Hung Kai Properties	4,302	1.60
<b>Industrials - 3.67%</b>			
786	C C Land Holdings	-	-
421,000	Cheung Kong Infrastructure	1,101	0.41
1,119,000	CITIC Pacific	836	0.31
802,000	Hutchison Whampoa	2,793	1.04
551,500	Swire Pacific 'A'	2,640	0.98
1,306,000	Wharf Holdings	2,485	0.93
<b>Oil &amp; Gas - 1.57%</b>			
6,490,000	CNOOC	4,211	1.57
<b>Technology - 0.03%</b>			
17,958,000	China Metal Resources Holdings	87	0.03
<b>Telecommunications - 5.46%</b>			
1,886,000	China Mobile (Hong Kong)	13,168	4.91
1,757,432	China Unicom	1,465	0.55
<b>Utilities - 3.45%</b>			
1,316,000	China Resources Power Holdings	1,736	0.65
840,500	CLP Holdings	3,953	1.47
1,316,700	Hong Kong & China Gas	1,383	0.52
559,500	Hong Kong Electric Holdings	2,182	0.81
<b>South Korea - 16.95% (2007 - 18.59%)</b>			
<b>Basic Materials - 2.31%</b>			
29,564	POSCO	6,196	2.31
<b>Consumer Goods - 3.04%</b>			
13,149	CJ Cheil Jedang	1,296	0.48
56,677	Hyundai Mobis	1,972	0.73
90,309	Hyundai Motor	1,970	0.74
66,646	KT & G GDR	2,915	1.09
<b>Consumer Services - 0.93%</b>			
9,375	Shinsegae Department Store	2,495	0.93
<b>Financials - 2.88%</b>			
2	KB Financial	-	-
300,100	Korea Exchange Bank	1,049	0.39
31,382	Samsung Fire & Marine Insurance	3,258	1.21
50,641	Samsung Securities	1,734	0.65
102,535	Shinhan Financial Group	1,679	0.63
<b>Industrials - 2.63%</b>			
43,622	Daelim Industrial	1,071	0.40
34,710	GS Engineering & Construction	1,110	0.41
73,439	S1 Corporation	2,178	0.81
217,270	Samsung Heavy Industries	2,705	1.01
<b>Technology - 3.55%</b>			
1,500	Korea Digital Line*	-	-
38,241	Samsung Electronics	9,524	3.55
<b>Telecommunications - 1.61%</b>			
37,415	SK Telecommunications	4,318	1.61

## Financial Statements

Holding	Investment	Bid-Market value (£'000)	Total net assets (%)	Holding	Investment	Bid-Market value (£'000)	Total net assets (%)
<b>Taiwan - 14.87% (2007 - 14.86%)</b>				<b>Singapore - 6.22% (2007 - 5.58%)</b>			
<b>Basic Materials - 0.95%</b>				<b>Basic Materials - 0.00%</b>			
2,392,130	China Steel	1,171	0.44	306	Changtian Plastic & Chemical	-	-
1,483,000	Formosa Plastics	1,370	0.51	<b>Consumer Services - 1.74%</b>			
<b>Consumer Goods - 0.20%</b>				468,000	Singapore Airlines (Foreign)	2,544	0.95
342,000	Giant Manufacturing	527	0.20	1,415,000	Singapore Press Holdings	2,124	0.79
<b>Financials - 2.84%</b>				<b>Financials - 2.71%</b>			
1,315,300	Cathay Financial Holdings	1,017	0.38	1,912,000	Capitamall Trust	1,458	0.54
6,434,748	Chinatrust Financial Holding	1,882	0.70	238,000	DBS nil paid**	344	0.13
4,750,752	First Financial Holding	1,732	0.65	476,000	DBS	1,933	0.72
3,657,000	Kindom Construction	563	0.21	570,000	United Overseas Bank	3,550	1.32
7,794,000	Yuanta Financial Holdings	2,420	0.90	<b>Industrials - 0.73%</b>			
<b>Industrials - 0.90%</b>				286,341	Keppel Corporation	599	0.22
1,767,800	Hon Hai Precision Industry	2,405	0.90	2,797,600	Noble	1,378	0.51
<b>Technology - 8.33%</b>				<b>Telecommunications - 1.04%</b>			
2,435,000	Acer Inc	2,198	0.82	584,000	Singapore Telecommunications	719	0.27
1,034,054	Asustek Computer	805	0.30	2,229,680	Starhub	2,077	0.77
4,031,642	Au Optronics	2,106	0.78	<b>China - 0.48% (2007 - 1.81%)</b>			
4,281,045	Compal Electronics	1,565	0.58	<b>Financials - 0.48%</b>			
384,500	HTC	2,665	0.99	6,798,000	Bank of China	1,293	0.48
1,676,000	Powertech Technology	1,939	0.72	<b>Total value of investments</b>			
3,067,950	Quanta Computer	2,240	0.83	<b>257,652</b>			
8,104,545	Taiwan Semiconductor Manufacturing	7,626	2.84	<b>Net other assets</b>			
2,423,697	Wistron	1,274	0.47	<b>10,684</b>			
<b>Telecommunications - 1.65%</b>				<b>Total net assets</b>			
4,077,410	Chunghwa Telecom	4,433	1.65	<b>268,336</b>			
				<b>100.00</b>			

All investments are listed on recognised stock exchanges and are "approved securities" within the meaning of the FSA rules unless otherwise stated.

\* Delisted Security - not an approved security

\*\* Unlisted security

The comparative percentage figures in brackets are at 31 December 2007.

## Balance sheet

as at 31 December 2008

	Notes	31 December 2008 £'000	31 December 2007 £'000
<b>ASSETS</b>			
Portfolio of investments		257,652	225,857
Debtors	8	920	598
Cash and bank balances		10,492	5,331
Total other assets		11,412	5,929
Total assets		269,064	231,786
<b>LIABILITIES</b>			
Creditors	9	728	530
Total liabilities		728	530
<b>Net assets attributable to unitholders</b>		<b>268,336</b>	<b>231,256</b>

For Royal London Unit Trust Managers Limited  
(Managers of The Royal London Far East Growth Trust)

R.S. James     *Director*

R.E Talbut     *Director*

17 February 2009

## Summary of material portfolio changes

for the year ended 31 December 2008

Major Purchases	Note	Cost £'000	Major Sales	Note	Proceeds £'000
Hong Kong Electric Holdings		7,964	Hong Kong Electric Holdings		6,195
SK Telecommunications		7,774	Sino Land		5,256
Samsung Electronics		7,198	Kookmin Bank		5,125
Westpac Banking		6,056	SK Telecommunications		4,800
Westfield Group		5,714	Link REIT		3,737
CNOOC		5,551	Incitec Pivot		3,564
BHP Billiton		5,484	CNOOC		3,550
Wesfarmers		5,379	KT Corporation		3,405
Kookmin Bank		5,286	New World Development		3,364
Hyundai Motor		5,155	Wesfarmers		3,110
Hang Seng Bank		5,031	Woodside Petroleum		3,030
Sino Land		5,020	Harvey Norman		2,976
China Mobile (Hong Kong)		4,994	Industrial & Commercial Bank of China		2,940
POSCO		4,985	Commonwealth Bank of Australia		2,813
Australia and New Zealand Banking		4,937	Hyundai Development		2,757
Telstra Corporation		4,507	Samsung Electronics		2,712
Sun Hung Kai Properties		4,225	Cheung Kong Holdings		2,629
Hutchison Whampoa		4,225	BHP Billiton		2,628
Link REIT		4,180	Shinhan Financial Group		2,537
Asustek Computer		4,047	Taiwan Fertilizer		2,487
<b>Subtotal</b>		<b>107,712</b>	<b>Subtotal</b>		<b>69,615</b>
<b>Total cost of purchases for the year:</b>	<b>10</b>	<b>302,141</b>	<b>Total proceeds from sales for the year:</b>	<b>10</b>	<b>203,909</b>

Portfolio changes are considered material if they represent more than 2% of the net assets of the Trust at the start of the year. In any event, the twenty largest purchases and sales are disclosed.

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2008

### 1. Accounting policies

#### a) Basis of accounting

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of investments, and in accordance with the Statement of Recommended Practice for Authorised Funds issued by the IMA in December 2005.

#### b) Recognition of income

Income from equities and non-equity shares is recognised when the security is quoted ex-dividend. Income from unquoted equity investments is recognised when the dividend is declared. Interest and income from bank balances and deposits, stock lending (net of fees paid), fixed interest securities and other securities is recognised on an accruals basis.

Underwriting commission is taken to income and recognised when the issue takes place, except where the Trust is required to take up all or some of the shares underwritten, in which case an appropriate proportion of the commission is deducted from the cost of those shares.

UK dividends are shown net of any associated tax credits attached to the income.

Overseas income received after the deduction of withholding tax is shown gross of tax, with the tax consequences shown within the tax charge.

Special dividends are treated as income or capital according to the nature of the event giving rise to the payment.

#### c) Treatment of stock dividends

The ordinary element of stock dividends is treated as income but does not form part of the distribution.

In the case of an enhanced stock dividend the value of the enhancement is treated as capital and also does not form part of the distribution.

#### d) Treatment of expenses

Expenses are recognised on an accruals basis.

#### e) Distribution policy

Income produced by the Trust's investments accumulates during each accounting period. If at the end of the accounting period, income exceeds expenses, the net income of the Trust is available to be distributed to Unitholders. In determining the net income available for distribution, expenses related to the purchase and sale of investments are ultimately borne by the capital of the Trust.

#### f) Basis of valuation of investments

The investments of the Trust have been valued at bid price at 5:00pm valuation point on 31 December 2008.

Unapproved investments (within the meaning of the FSA's rules) are valued based on the Manager's opinion of fair value, the intention of which is to estimate market value.

#### g) Exchange rates

Assets and liabilities denominated in foreign currencies have been converted to Sterling at the bid-market 5:00pm rates of exchange on 31 December 2008. Foreign income and expenditure has been converted into Sterling at the rate of exchange ruling at the date of transaction.

#### h) Taxation

Provision is made for taxation at current rates on the excess of investment income over allowable expenses, with relief for overseas taxation taken where appropriate.

Deferred tax is provided on all timing differences that have originated but not reversed by the balance sheet date. Deferred tax is not recognised on permanent differences.

Deferred tax assets are recognised only to the extent that it is more likely than not that there will be taxable profits from which the future reversal of the underlying timing differences can be deducted.

## 2. Net (losses)/gains on investments

	31 December 2008	31 December 2007
	£'000	£'000
<b>The net (losses)/gains on investments during the year comprise:</b>		
Non-derivative securities	(66,209)	63,822
<b>Net (losses)/gains on investments</b>	<b>(66,209)</b>	<b>63,822</b>

## 3. Other gains/(losses)

	31 December 2008	31 December 2007
	£'000	£'000
<b>Other gains/(losses) comprise:</b>		
Net currency gains/(losses)	2,187	(418)
<b>Other gains/(losses)</b>	<b>2,187</b>	<b>(418)</b>

## 4. Income

	31 December 2008	31 December 2007
	£'000	£'000
Overseas dividends	8,295	6,162
Stock dividends	192	140
Stock lending income	98	145
Bank interest	185	148
HMRC interest received	2	-
Miscellaneous Income	1	-
<b>Total income</b>	<b>8,773</b>	<b>6,595</b>

Stock lending income is disclosed net of fees as explained in accounting policy 1(b). The gross stock lending income received was £122,821 (2007: £180,966) with fees deducted of £24,564 (2007: £36,193).

## 5. Expenses

	31 December 2008	31 December 2007
	£'000	£'000
<b>Payable to the Manager or associates of the Manager and agents of either of them:</b>		
Manager's periodic charge	2,163	2,186
<b>Payable to the Trustee, associates of the Trustee and agents of either of them:</b>		
Trustee's fee - HSBC	5	-
Trustee's fee - JP Morgan	23	28
Safe custody fees	82	110
Activity fees	32	28
	142	166
<b>Other expenses:</b>		
Registrar's fees	3	3
VAT recovery on registration fees*	(2)	-
FSA fee	-	1
Audit fee	11	9
HMRC interest paid	2	-
	14	13
<b>Total expenses</b>	<b>2,319</b>	<b>2,365</b>

\* In June 2006, HM Revenue & Customs published a revised policy with regard to VAT exemption for the management of authorised collective investment schemes. As a result, the Trust was able to reclaim VAT that had previously been paid on registration fees.

## 6. Taxation

	31 December 2008	31 December 2007
	£'000	£'000
<b>a) Analysis of charge in year</b>		
Corporation tax	1,304	844
Double tax relief	(374)	(352)
Overseas tax	598	497
Adjustments in respect of prior periods	(25)	-
<b>Current tax charge (note 6b)</b>	<b>1,503</b>	<b>989</b>

### b) Factors affecting the current tax charge for the year

The tax assessed for the year is higher than the standard rate of corporation tax for authorised unit trusts (AUT) (20%). The differences are explained below:

Net income before taxation	6,446	4,226
Corporation tax at 20% (2007: 20%)	1,289	845
Effects of:		
Income not subject to taxation	(38)	(29)
Special dividends in capital	47	22
Expenses not deductible for tax purposes	6	6
Overseas tax	598	497
Double tax relief	(374)	(352)
Adjustments in respect of prior periods	(25)	-
<b>Current tax charge for the year (note 6a)</b>	<b>1,503</b>	<b>989</b>

Authorised unit trusts are exempt from tax on capital gains, therefore any capital gains/(losses) are not included in the reconciliation above.

## 7. Finance Costs: Distributions

The distributions take account of income received on the creation of units and income deducted on the cancellation of units, and comprise:

	31 December 2008	31 December 2007
	£'000	£'000
Interim dividend distribution - 31 August 2008	1,306	1,451
Final dividend distribution - 28 February 2009	4,825	1,588
	6,131	3,039
Add: Income deducted on cancellation of units	1	146
Deduct: Income received on the creation of units	(1,281)	(10)
<b>Net distributions for the year</b>	<b>4,851</b>	<b>3,175</b>
Interest	8	4
<b>Total finance costs</b>	<b>4,859</b>	<b>3,179</b>

The difference between the net income after taxation and the distribution paid is as follows:

Net income after taxation	4,943	3,237
Expenses charged to capital	32	28
Capital tax charge	30	22
Stock dividend not distributed	(154)	(112)
<b>Net distributions for the year</b>	<b>4,851</b>	<b>3,175</b>

Details of the distribution per unit are set out on page 19.

## 8. Debtors

	31 December 2008	31 December 2007
	£'000	£'000
Accrued income	912	590
Overseas tax recoverable	8	8
<b>Total debtors</b>	<b>920</b>	<b>598</b>

## 9. Creditors

	31 December 2008	31 December 2007
	£'000	£'000
Accrued expenses	232	234
Corporate tax payable	496	296
<b>Total creditors</b>	<b>728</b>	<b>530</b>

## 10. Portfolio transaction costs

	31 December 2008	31 December 2007
	£'000	£'000
Analysis of total purchase costs:		
Purchases in year before transaction costs	301,353	232,470
Commissions	788	856
<b>Gross purchases total</b>	<b>302,141</b>	<b>233,326</b>
Analysis of total sales costs:		
Sales in year before transaction costs	204,866	261,278
Commissions	(957)	(1,170)
<b>Total sales net of transaction costs</b>	<b>203,909</b>	<b>260,108</b>

## 11. Contingent liabilities and outstanding commitments

The aggregate of commitments not provided for at the balance sheet date are as follows:	£'000
DBS nil paid shares	623
China Overseas Land & Investments nil paid shares	81

## 12. Post balance sheet events

There were no material post balance sheet events which have a bearing on the understanding of the financial statements.

## 13. Financial instruments

In accordance with the investment objective noted on page 20, the Trust holds financial instruments such as equity shares, non-equity shares, cash and has short-term debtors and creditors. The financial risk that these and other financial instruments may have on the Trust are disclosed below.

The fair values of the Trust's assets and liabilities are represented by the values shown in the balance sheet on page 9.

- MARKET RISK** – The main risk arising from the Trust's financial instruments is market price risk which arises from the uncertainty about future prices. The Manager reviews the portfolio in order to consider the asset allocation implications and to minimise the risk associated with particular countries or industry sectors, whilst continuing to follow the Trust's investment objective. The portfolio of investments is shown on pages 7 to 8, and have been valued in line with accounting policies described in notes 1f and g.
- CREDIT AND LIQUIDITY RISK** – The Trust has little exposure to credit risk, but can be exposed to liquidity risk surrounding its capacity to meet its liabilities. Liquidity risk, mainly derived from the liability to Unitholders, is minimised through holding cash and readily realisable securities which can meet the usual requirements of unit redemptions.
- FAIR VALUES** – There is no material difference between the value of the financial assets and liabilities, as shown in the balance sheet, and their fair value.
- INTEREST RATE RISK PROFILE OF FINANCIAL ASSETS AND LIABILITIES** - The tables below detail the interest rate risk profile of the company's assets and liabilities as at 31 December 2008.

### Net currency assets as at 31 December 2008

Currency	Fixed rate	Floating rate*	Financial assets	Total
	financial assets	financial assets	not carrying interest	
	£'000	£'000	£'000	£'000
Australian Dollar	-	104	92,432	92,536
Hong Kong Dollar	-	2	63,405	63,407
New Zealand Dollar	-	3	-	3
Singapore Dollar	-	116	16,742	16,858
South Korean Won	-	-	46,035	46,035
Sterling	-	7,451	20	7,471
Taiwanese Dollar	-	2,789	39,938	42,727
US Dollar	-	27	-	27
	-	<b>10,492</b>	<b>258,572</b>	<b>269,064</b>

## Notes to the Financial Statements

**Net currency assets as at 31 December 2007**

<b>Currency</b>	<b>Fixed rate financial assets £'000</b>	<b>Floating rate* financial assets £'000</b>	<b>Financial assets not carrying interest £'000</b>	<b>Total £'000</b>
Australian Dollar	-	389	75,359	75,748
Hong Kong Dollar	-	838	57,844	58,682
Indonesian Rupiah	-	-	550	550
Malaysian Dollar	-	78	-	78
New Zealand Dollar	-	28	-	28
Singapore Dollar	-	808	12,913	13,721
South Korean Won	-	-	43,301	43,301
Sterling	-	544	21	565
Taiwanese Dollar	-	4	34,372	34,376
US Dollar	-	2,642	2,095	4,737
	-	<b>5,331</b>	<b>226,455</b>	<b>231,786</b>

Financial assets on which no interest is paid comprise equity shares which have no maturity date and short term debtors.

\*The floating rate financial assets include Sterling bank deposits that earned interest based on the six month London Inter Bank Offer Rate (LIBOR).

**Net currency liabilities as at 31 December 2008**

<b>Currency</b>	<b>Fixed rate financial assets £'000</b>	<b>Floating rate financial assets £'000</b>	<b>Financial assets not carrying interest £'000</b>	<b>Total £'000</b>
Sterling	-	-	(728)	(728)
	-	-	<b>(728)</b>	<b>(728)</b>

**Net currency liabilities as at 31 December 2007**

<b>Currency</b>	<b>Fixed rate financial assets £'000</b>	<b>Floating rate financial assets £'000</b>	<b>Financial assets not carrying interest £'000</b>	<b>Total £'000</b>
Taiwanese Dollar	-	-	(2)	(2)
Sterling	-	-	(528)	(528)
	-	-	<b>(530)</b>	<b>(530)</b>

Financial liabilities on which no interest is paid comprise the company's liability to pay short term creditors.

- **CURRENCY RISK** – The value of the Trust's investments may be significantly affected by currency movements since the majority of the assets are denominated in currencies other than Sterling. The Manager may, from time to time, seek to mitigate the effect of these currency exposures by covering a proportion of its investments using forward currency hedges. However, no such arrangements were in place at the year end. The Trust may also be subject to short-term exposure to exchange rate movements, for example where there is a delay between dealing and subsequent settlement. However, the Manager considers that this does not pose a significant risk given the short-term nature of this exposure. The risk of currency movements on the income property of the fund is minimised by converting income received in foreign currency into Sterling on the date of transaction.

**The Sterling equivalent of the Trust's net currency exposure at 31 December 2008 was:**

<b>Currency</b>	<b>Monetary exposures £'000</b>	<b>Non-monetary exposures £'000</b>	<b>Total £'000</b>
Australian Dollar	357	92,179	92,536
Hong Kong Dollar	68	63,339	63,407
New Zealand Dollar	3	-	3
Singapore Dollar	132	16,726	16,858
South Korean Won	565	45,470	46,035
Taiwanese Dollar	2,789	39,938	42,727
US Dollar	27	-	27
	<b>3,941</b>	<b>257,652</b>	<b>261,593</b>

**The Sterling equivalent of the Trust's net currency exposure at 31 December 2007 was:**

<b>Currency</b>	<b>Monetary exposures £'000</b>	<b>Non-monetary exposures £'000</b>	<b>Total £'000</b>
Australian Dollar	588	75,160	75,748
Hong Kong Dollar	874	57,808	58,682
Indonesian Rupiah	-	550	550
Malaysian Dollar	78	-	78
New Zealand Dollar	28	-	28
Singapore Dollar	808	12,913	13,721
South Korean Won	315	42,986	43,301
Taiwanese Dollar	29	34,345	34,374
US Dollar	2,643	2,095	4,738
	<b>5,363</b>	<b>225,857</b>	<b>231,220</b>

- **DERIVATIVES RISK** – The Manager may employ derivatives for the purpose of efficient portfolio management. All derivative trading is in the form of instruments listed on a regulated exchange. Financial futures are used in particular for efficient management of cashflow, i.e. to deal with the control of marginal cashflow monies - for example, investment of anticipated dividend receipts, as well as to effect re-allocations of assets. Futures allow the Manager to obtain market exposure quickly (thereby reducing risk) and cheaply (reducing cost). At the year end there were no derivatives held by the Trust.

## 14. Related party transactions

The Trust's Manager, Royal London Unit Trust Managers Limited and the Trustee, HSBC Bank plc, are related parties to the Trust as defined by Financial Reporting Standard 8 'Related Party Disclosures'.

From 1 November 2008, the Trustee changed from J.P. Morgan Trustee and Depository Company Limited to HSBC Bank plc.

Management fees charged by Royal London Unit Trust Managers Limited are shown in note 5 and details of units created and cancelled by Royal London Unit Trust Managers Limited are shown in the statement of change in Unitholders' net assets. At the year end the balance due to Royal London Unit Trust Managers Limited in respect of these transactions was £204,530 (2007: £195,004).

Trustee's fees, safe custody fees and activity fees charged by HSBC Bank plc and their associates are shown in note 5. At the year end the balance due to HSBC Bank plc and their associates in respect of these transactions was £16,373 (2007: £nil).

Trustee's fees charged by J.P. Morgan Trustee and Depository Company Limited and their associates are shown in note 5. At the year end the balance due to J.P. Morgan Trustee and Depository Company Limited and their associates in respect of these transactions was £nil (2007: £24,107).

At the year end 85.18% (2007: 99.41%) of the units in issue were held by The Royal London Mutual Insurance Society Limited. Royal London Unit Trust Managers Limited is a wholly owned subsidiary of The Royal London Mutual Insurance Society Limited.

## 15. Stock lending

The aggregate value of equity securities on loan at the balance sheet date was £17,977,100 (2007: £14,601,530) against which bond collateral was held of £22,025,661 (2007: £17,606,559).

## DISTRIBUTION TABLE

for the year ended 31 December 2008

### Distribution in pence per unit

#### INTERIM

Group 1: Units purchased prior to 1 January 2008

Group 2: Units purchased between 1 January 2008 to 30 June 2008

Accumulation units	Gross income	Tax credit	Net income	Equalisation	Distribution paid 31/8/08	Distribution paid 31/8/07
Group 1	1.7869	0.1787	1.6082	-	1.6082	1.6961
Group 2	0.9283	0.0928	0.8355	0.7727	1.6082	1.6961

#### FINAL

Group 1: Units purchased prior to 1 July 2008

Group 2: Units purchased between 1 July 2008 to 31 December 2008

Accumulation units	Gross income	Tax credit	Net income	Equalisation	Distribution payable 28/2/09	Distribution paid 28/2/08
Group 1	4.2026	0.4203	3.7823	-	3.7823	1.9930
Group 2	2.3720	0.2372	2.1348	1.6475	3.7823	1.9930

## FACT FILE

### Constitution

<b>Launch date</b>	March 1990 (income units no longer issued) March 2001 (accumulation units)
<b>Accounting end dates</b>	31 December (final) 30 June (interim)
<b>Distribution dates</b>	Last day February (final) 31 August (interim)
<b>Minimum investment</b>	£1,000 (thereafter £100)
<b>Management charges:</b>	<b>Initial</b> 4.00% <b>Annual</b> 1.00%

### Investment Objective and Policy

The investment objective of the Fund is to achieve capital growth by investing predominantly in quoted Far East stocks and shares.

### Pricing and Dealing

The buying (offer) price and selling (bid) price of units are determined by reference to the underlying market value of the net assets of the Trust at the relevant valuation point. Unit prices are normally calculated daily however, if the markets are exceptionally volatile the Manager may conduct more frequent valuations to reflect any significant changes in the value of the Trust's underlying assets.

The valuation permits for the calculation of a maximum offer price and minimum bid price. The difference between the prices is called the dealing spread and takes account of the Manager's initial charge and expenses. The dealing prices, gross yields and Manager's initial charge are published daily on [www.rlam.co.uk](http://www.rlam.co.uk) and [www.royal-london.co.uk](http://www.royal-london.co.uk).

Dealing in units is conducted between 9.00am and 5.00pm on a forward pricing basis.

### Buying Units

Units may be bought on any business day via an authorised Intermediary or from the Manager by telephoning the Dealing desk on 08456 04 04 04\*. Alternatively, an application form should be completed and sent to the Manager. Units will be allocated at the offer price ruling at the next valuation point and a contract note confirming the purchase will be issued immediately thereafter.

### Selling Units

Units may be sold back to the Manager on any business day. Units can be sold by telephone by calling the Dealing desk on 08456 04 04 04\* or alternatively by putting your request in writing. The Manager will allocate the bid price calculated from the next valuation point and issue a contract note as evidence of the sale.

Settlement will be issued within 4 business days following receipt of satisfactory evidence to title of the units.

\* In the interest of investors' protection all telephone calls to the Dealing desk are tape-recorded.

### Cancellation Rights

Where a person purchases units the Conduct Of Business Sourcebook Instrument 2001 (as amended from time to time) may give the investor the right to cancel the relevant purchase within 14 days of receipt of the requisite notice of a right to cancel. The right to cancel does not arise if (a) the investor is not a private customer, (b) the investor is not an execution-only customer, (c) the agreement to purchase is entered into through a direct offer financial promotion, or (d) the agreement is entered into under a customer agreement or during negotiations (which are not ISA related) intended to lead to a client agreement.

### Accumulation of income

All net income is automatically accumulated within the Trust and reflected in the price of units.

## UK Taxation

The Trust is not subject to Capital Gains Tax.

Capital gains established when units are sold are subject to tax, but at the present time investors are not liable unless their total gains in any tax year from all disposals of assets exceed the Capital Gains Tax annual exemption.

Investors receive a distribution of net income with tax credit equivalent to the Lower Rate of Income Tax, currently 10%. Even though the distribution is retained within the fund and not paid out it should be included in their Income Tax Return. No further liability exists if they pay at the Lower or Basic Rate, but Higher Rate Tax will be payable as appropriate. If investors are not liable to tax they are unable to claim repayment of the tax credit from HM Revenue & Customs. The treatment of distributions as received by corporate unitholders is detailed on the reverse of dividend warrants. The first distribution received after purchasing units includes an amount described as 'equalisation'. This is a repayment of capital and is therefore not liable to Income Tax. It should, however be deducted from the initial cost of units for Capital Gains Tax purposes. The total net amount of every distribution (including equalisation with the first allocation) is used to increase the value of units.

Each distribution (excluding equalisation with the first allocation) should be added to the cost of units for Capital Gains Tax purposes.

On 6 April 2004, the Government abolished the right of all PEP and ISA investors to reclaim a notional 10% tax credit on all dividend distributions paid by authorised unit trusts. Previously, PEP and ISA investors would have had their tax credits reclaimed by their plan manager on their behalf. The right of ISA investors to reclaim the 20% UK Income Tax suffered on interest distributions paid by authorised unit trusts (primarily fixed interest, bond or cash unit trusts) is unaffected and investors should continue to get these repayments collected by their plan manager on their behalf.

Dealings in units of unit trusts are subject to Stamp Duty Reserve Tax (SDRT). The tax payable is 0.5% of the value of the units surrendered in the Trust and other transfers. This may be reduced depending on the unit dealing levels and the investments held by the trust. SDRT may be charged either against the investors or against the property of the Trust. The Manager may directly charge the incoming or outgoing investors, therefore creating a provision from which SDRT would be paid. Under this option either the costs of purchasing units would be increased or the proceeds from a sale would be reduced. The Manager may alternatively treat SDRT as an expense charged against the property of the Trust.

For the time being, the Manager has chosen to recover the cost of SDRT directly as a charge on the property of the Trust. This charge will have the effect of reducing the Trust's net asset value (NAV) by up to a maximum of 0.5%.

## Commission

Payable to UK authorised Intermediaries. Details are available on request.

## Authorisation

The Fund was authorised on 5 March 1990. It is an authorised unit trust scheme and is a UCITS Scheme operating under Chapter 5 of COLL.

## Manager's Reports and Scheme Particulars

Copies of the latest yearly and half yearly Trust's reports and copies of the Scheme Particulars may be obtained from Royal London Unit Trust Managers Limited upon request.









**rlam** is a marketing brand for the following companies:

**Royal London Asset Management Limited** registered in England and Wales number 2244297; Financial Services Authority (FSA) register number 141665.

**Royal London Pooled Pensions Company Limited** registered in Scotland number SC048729; FSA register number 110456.

**Royal London Unit Trust Managers Limited** registered in England & Wales number 2372439; FSA register number 144037.

All of the above are authorised and regulated by the Financial Services Authority.

It also includes **Royal London Asset Management Bond Funds Plc** registered in Ireland number 364259 and regulated by the Irish Financial Services Regulatory Authority (IFSRA).

All these companies are subsidiaries of **The Royal London Mutual Insurance Society Limited** registered in England and Wales number 2372439.

Head office: 55 Gracechurch Street, London, EC3V 0RL.