Royal London Equity Income Trust

Interim report for the period ended
31 January 2009

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royal london asset management

TRUST INFORMATION

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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).

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Directors: M.J. Yardley, A.S. Carter, R.S. James, J.B. Platt, J.H. Coffey, R.E. Talbut.

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 six months under review to 31st January 2009, the fund delivered a return of -17.68%. This can be compared to a return of -22.95% for the FTSE All Share index and a return of -19.36% for the IMA UK Equity Income sector average.

The fund's performance against competitor funds over the last six months has been assisted by the fund's holdings in economically resilient businesses with international earnings, such as BP, Shell, Astra Zeneca, Vodafone, National Grid, BAT Industries and Imperial Tobacco. Against this, the fund's holdings in Lloyds TSB and HBOS detracted from performance. I retain my position in the new Lloyds Banking Group as I believe it looks very cheap on any longer term basis, if they are correct that they now have sufficient capital to avoid further Government bail-outs.

Economic and stockmarket background

It has been a very challenging period for financial markets in general, including the UK stockmarket. Over the last six months the economic outlook for the UK has steadily deteriorated, with economic forecasts being progressively downgraded over the period. Lehman Brothers went into administration, and Royal Bank of Scotland, HBOS and Lloyds TSB all had major fund raisings underwritten by the UK Government to strengthen their balance sheets and this has resulted in the UK Government taking significant equity stakes in all of them.

Government bonds have performed well as investors have sought to protect their wealth. However, corporate bonds have reflected worries about default risk, which have exacerbated equity investor concerns about companies where there is balance sheet risk and companies which may need to refinance their existing debt facilities expensively. Economic activity has also been adversely affected by difficult credit market conditions, with trade and creditor finance difficult to come by at a reasonable price for many companies.

Worldwide, the authorities have been quick to announce significant initiatives to counter the credit crunch and recession, although at this stage much of the detail has not yet been made public. Interest rates globally have now fallen to extremely low levels by historic standards and this should help stimulate economic activity when credit market conditions start to improve. In January, official statistics confirmed that the UK economy was in recession and external forecasts from the International Monetary Fund suggested that the UK economy will be particularly hard hit by the global recession.

Portfolio Commentary

The fund has continued to focus on trying to identify stocks we believe to be undervalued and offer a premium yield with some prospect of sustainable dividend growth. During the last six months the fund has maintained a defensive stance within the portfolio, with a focus on cashflow, robust balance sheets and international earnings which will additionally benefit from a weak pound.

The following examples give a flavour of the fund's activity during the last six month.

In August the fund started a new holding in Northumbrian Water Group, taking advantage of a period of weak relative share price performance to accumulate a holding. The stock offers a premium dividend yield, inflation index linking of revenues, a lack of economic sensitivity and growth in its underlying Regulated Asset Base, all of which look attractive given the difficult outlook for the broader economy.

The fund sold its holding in Lonmin during Xstrata's bid approach for the company at a premium to the indicated £33 offer. Given its historic production issues, a rapidly slowing global economy and unsustainably high commodity prices, this gave a good opportunity to exit the shares at a good price. At the end of the period under review the shares are trading at a price of under £9, following the bursting of the bubble in commodity prices which has occurred since the summer.

In October the fund started a holding in Thomas Cook following a period of share price weakness. The valuation looks very depressed and its balance sheet is strong. At its purchase price, it was offering a sustainable dividend yield of 7%. Industry pricing discipline should benefit them and Tui Travel on a two year view, now that the industry has consolidated down to two disciplined players from four. This, and other activity, has reduced the very cautious stance on consumer related stocks following some sharp falls in share prices; a strong balance sheet remains a prerequisite on any consumer related purchase.

Investment outlook

Economic conditions remain challenging around the world and it is not yet clear how effective the various policy initiatives from governments in response to the global economic slowdown will be. With economic indicators all pointing to a synchronised downturn, interest rates are likely to stay close to zero in the UK until we see signs that economic activity is improving. The UK Government has also signalled that they may resort to quantitative easing (i.e. printing money), if current policy measures are seen not to be working. Corporate newsflow over the coming months will highlight the difficult economic conditions, we are likely to see further profit warnings and cost cutting initiatives are likely to be a feature.

At this stage there is no visibility on how long this recession will last. With rising unemployment and muted wage growth, I retain a cautious stance on the outlook for the UK consumer. The fund currently has a broad spread of industries in which it is invested, with stock selection focussed on robust balance sheets, sustainable free cashflow and strong market positions, which I think will characterise the survivors of this recession. As weaker, less well financed competitors lose out, then I believe these companies should flourish once the broader economy starts to recover.

Martin Cholwill
Fund Manager
February 2009

The Manager's investment report, together with the information on the authorised status of the Trust on page 16, the objective and policy of the Trust on page 15 and the information set out on page 1 comprise the Manager's Report.

NET ASSET VALUE PER UNIT, PERFORMANCE RECORD, COMPARATIVE TABLES AND EXPENSE RATIO

Trust Size

Date	Net asset value £'000	Net asset value per unit p	Number of units in Issue
31/1/09	136,725	342.19	39,955,903
31/7/08	172,025	426.82	40,304,283
31/7/07	234,738	536.29	43,771,064
31/7/06	233,429	498.22	46,852,200

Unit Price Range

Calendar Year	Highest Sale (Offer) p	Lowest Redemption (Bid) p
2009*	404.00	339.90
2008	568.70	311.80
2007	612.93	504.50
2006	580.90	475.50
2005	503.50	411.10
2004	434.50	360.50

Net Income Information

Calendar Year	Pence Per unit	Per £1,000 invested on 2 January 2004
2009*	9.53	23.93
2008	21.95	55.08
2007	19.85	49.81
2006	18.07	45.35
2005	15.34	38.49
2004	13.90	34.88

Total Expense Ratio

Date	Percentage %
31/1/09	1.36
31/7/08	1.32

* to 31 January 2009

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.

FINANCIAL STATEMENTS

Statement of Total Return

for the period ended 31 January 2009

	Notes	31 January 2009		31 January 2008	
		£'000	£'000	£'000	£'000
Net losses on investments during the period	2		(33,293)		(24,772)
Other gains	3		75		6
Income	4	4,064		4,150	
Expenses	5	(1,051)		(1,481)	
Finance costs: Interest	7	-		(4)	
Net income before taxation		3,013		2,665	
Taxation	6	-		-	
Net income after taxation for the period			3,013		2,665
Total return before distribution			**(30,205)**		**(22,101)**
Finance costs: Distributions	7		(3,835)		(4,082)
Change in net assets attributable to unitholders			**(34,040)**		**(26,183)**

Statement of Change in Unitholders' Net Assets

for the period ended 31 January 2009

	31 January 2009		31 January 2008	
	£'000	£'000	£'000	£'000
Net assets at the start of the period		**172,025**		**234,738**
Movement due to sales and repurchases of units:				
Amounts received on creation of units	1,441		1,338	
Less: Amounts paid on cancellation of units	(2,707)		(5,642)	
		(1,266)		(4,304)
Change in net assets attributable to unitholders		(34,040)		(26,183)
Stamp duty reserve tax		(1)		(2)
Unclaimed distributions over 6 years old		7		2
Net assets at the end of the period		**136,725**		**204,251**

Portfolio statement

as at 31 January 2009

Holding	Investment	Bid-Market value (£'000)	Total net assets (%)
Oil & Gas - 16.20% (31/7/2008 - 14.84%)			
Oil & Gas Producers			
2,355,000	BP	11,651	8.52
625,000	Royal Dutch Shell 'B'	10,506	7.68
Basic Materials - 1.67% (31/7/2008 - 5.71%)			
Mining			
70,000	Anglo American	893	0.65
86,000	Rio Tinto	1,391	1.02
Industrials - 12.69% (31/7/2008 - 11.69%)			
Construction & Materials			
340,000	Balfour Beatty	1,244	0.91
824,000	Marshalls	575	0.42
Aerospace & Defence			
1,024,000	BAE Systems	4,152	3.04
General Industrials			
300,000	Smiths Group	2,585	1.89
Industrial Engineering			
673,000	IMI	1,809	1.32
622,424	Weir Group	2,071	1.51
Support Services			
312,000	Bunzl	1,758	1.28
685,000	Davis Service Group	1,690	1.24
1,175,000	Filtrona	1,480	1.08
Consumer Goods - 7.93% (31/7/2008 - 7.06%)			
Tobacco			
348,000	British American Tobacco	6,609	4.83
225,000	Imperial Tobacco Group	4,235	3.10
Healthcare - 10.85% (31/7/2008 - 9.00%)			
Pharmaceuticals & Biotechnology			
274,000	AstraZeneca	7,280	5.32
619,000	GlaxoSmithKline	7,558	5.53
Consumer Services - 9.11% (31/7/2008 - 9.30%)			
General Retailers			
1,100,000	Dunelm Group	1,669	1.22
900,000	Home Retail Group	1,872	1.37
Media			
812,000	Daily Mail & General Trust	2,211	1.62
880,000	Informa	2,081	1.52
595,000	Reed Elsevier	3,109	2.27
Travel & Leisure			
800,000	Thomas Cook Group	1,520	1.11
Telecommunications - 10.45% (31/7/2008 - 10.34%)			
Fixed Line Telecommunications			
3,634,905	BT Group	3,842	2.81
Mobile Telecommunications			
7,973,000	Vodafone Group	10,449	7.64
Utilities - 12.13% (31/7/2008 - 9.21%)			
Electricity			
610,000	International Power	1,621	1.19
351,000	Scottish & Southern Energy	4,163	3.04
Gas, Water & Multiutilities			
872,000	National Grid	5,755	4.21
1,000,000	Northumbrian Water Group	2,353	1.72
591,000	Pennon Group	2,698	1.97
Financials - 16.60% (31/7/2008 - 23.31%)			
Banks			
985,000	HSBC Holdings (London listed)	5,422	3.97
2,424,501	Lloyds TSB Group	2,218	1.62
Non-Life Insurance			
505,000	Personal Group Holdings	1,187	0.88
Life Insurance			
856,000	Aviva	2,651	1.94
2,300,000	Friends Provident	1,909	1.40
602,000	Prudential	2,092	1.53
General Financial			
1,820,000	Cattles	200	0.15
1,450,000	Hargreaves Lansdown	2,509	1.84
685,000	IG Group Holdings	1,949	1.43
561,000	Investec	1,362	1.00
Real Estate Investment Services			
91,000	Land Securities	609	0.45
1,321,250	Wichford	535	0.39
Technology - 1.19% (31/7/2008 - 0.00%)			
Software & Computer Services			
440,000	Playtech	1,632	1.19
Total value of investments		**135,105**	**98.82**
Net other assets		**1,620**	**1.18**
Total net assets		**136,725**	**100.00**

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

The comparative percentage figures in brackets are at 31 July 2008.

Balance sheet

as at 31 January 2009

	Notes	31 January 2009 £'000	31 July 2008 £'000
ASSETS			
Portfolio of investments		135,105	172,799
Debtors	8	1,092	932
Cash and bank balances		5,043	7,893
Total other assets		6,135	8,825
Total assets		141,240	181,624
LIABILITIES			
Creditors	9	573	4,531
Bank overdraft		132	-
Distribution payable on income units		3,810	5,068
Total liabilities		4,515	9,599
Net assets attributable to unitholders		**136,725**	**172,025**

For Royal London Unit Trust Managers Limited
(Managers of The Royal London Equity Income Trust)

A.S. Carter ***Director***

R.E. Talbut ***Director***

13 March 2008

Summary of material portfolio changes

for the period ended 31 January 2009

Major Purchases	Note	Cost £'000
Northumbrian Water Group		2,973
Weir Group		2,666
IG Group Holdings		2,532
HBOS		2,289
International Power		1,765
Thomas Cook Group		1,756
Home Retail Group		1,716
Playtech		1,476
Daily Mail & General Trust		1,004
Davis Service Group		713
Informa		559
Bunzl		521
Pennon Group Holdings		507
Prudential		490
Balfour Beatty		344
Smiths Group		320
Reed Elsevier		312
National Grid		300
British American Tobacco		297
Scottish & Southern Energy		288
Subtotal		**22,828**
Total cost of purchases for the period:	**10**	**23,931**

Major Sales	Note	Proceeds £'000
Lonmin		3,518
Taylor Nelson Sofres		2,897
Tesco		2,634
HSBC Holdings (London listed)		1,519
BP		1,489
National Grid		1,454
Alliance & Leicester		1,354
British American Tobacco		1,179
Smiths Group		1,002
Royal Bank Of Scotland Group		985
Bunzl		803
Vodafone Group		679
Thomas Cook Group		677
GlaxoSmithKline		670
AstraZeneca		618
Pennon Group		606
Rio Tinto		597
Reed Elsevier		581
Imperial Tobacco Group		561
IG Group Holdings		474
Subtotal		**24,297**
Total proceeds from sales for the period:	**10**	**28,322**

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

NOTES TO THE FINANCIAL STATEMENTS

for the period ended 31 January 2009

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) 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 and the Manager's period charge are ultimately borne by the capital of the Trust.

In order to conduct a controlled distribution flow, interim distributions will be at the Manager's discretion, up to a maximum of the distributable income for the period.

f) Basis of valuation of investments

The investments of the Trust have been valued at bid price at 12 noon on 30 January 2009.

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 12 noon rates of exchange on 30 January 2009.

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 on investments

The net losses on investments during the period comprise:	31 January 2009 £'000	31 January 2008 £'000
Non-derivative securities	(33,293)	(24,772)
Net losses on investments	**(33,293)**	**(24,772)**

3. Other gains

Other gains comprise:	31 January 2009 £'000	31 January 2008 £'000
Net currency gains	75	6
Net other gains	**75**	**6**

4. Income

	31 January 2009 £'000	31 January 2008 £'000
UK dividends	3,762	3,809
Unfranked income	29	-
Overseas dividends	42	104
Stock dividends	127	-
Stock lending income	12	24
Bank interest	92	213
Total income	**4,064**	**4,150**

Stock lending income is disclosed net of fees as explained in accounting policy 1(b). The gross stock lending income received was £15,476 (31/1/08: £30,170) with fees deducted of £3,095 (31/1/08: £6,034).

5. Expenses

	31 January 2009 £'000	31 January 2008 £'000
Payable to the Manager or associates of the Manager and agents of either of them:		
Manager's periodic charge	966	1,464
Payable to the Trustee, associates of the Trustee and agents of either of them:		
Safe custody fees	1	2
Trustee's fee - J P Morgan	6	15
Trustee's fee - HSBC	5	-
Activity fees	1	-
	13	17
Other expenses:		
Registrar's fees	69	78
VAT recovery on registration fees	-	(82)
Audit fee	3	4
	72	-
Total expenses	**1,051**	**1,481**

6. Taxation

a) Analysis of charge in period	31 January 2009 £'000	31 January 2008 £'000
Corporation tax at 20%	-	-
Total taxation (note 6b)	**-**	**-**

b) Factors affecting the current tax charge for the period

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

Net income before taxation	3,013	2,665
Corporation tax at 20% (2008: 20%)	603	533
Effects of:		
Income not subject to taxation	(778)	(762)
Current period expenses not utilised	175	229
Current tax charge for the period (note 6a)	**-**	**-**

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

c) Provision for deferred tax
There was no provision required for deferred tax at the balance sheet date (31/7/2008: same).

d) Factors that may affect future tax charges
At 31 January 2009, there is a potential deferred tax asset of £4,282,220 (31/7/2008: £4,107,128) in relation to surplus management expenses and £2,223 (31/7/2008: same) in relation to excess unutilised foreign tax available for double tax relief. It is unlikely that the fund will generate sufficient taxable profits in the future to utilise these amounts and, therefore, no deferred tax asset has been recognised.

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 January 2009 £'000	31 January 2008 £'000
Interim dividend distribution - payable 31 March 2009	3,810	4,024
	3,810	4,024
Add: Income deducted on cancellation of units	44	70
Deduct: Income received on the creation of units	(19)	(12)
Net distributions for the period	**3,835**	**4,082**
Interest	-	4
Total finance costs	**3,835**	**4,086**

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

Net income after taxation	3,013	2,665
Add: Expenses charged to capital	967	1,464
Less: Tax relief thereon	(18)	(47)
Less: Stock dividends	(127)	-
Net distributions for the period	**3,835**	**4,082**

Details of the distribution per unit are set out on page 14.

8. Debtors

	31 January 2009 £'000	31 July 2008 £'000
Accrued income	693	928
Amounts receivable for issue of units	8	-
Income tax recoverable	-	4
Sales awaiting settlement	391	-
Total debtors	**1,092**	**932**

9. Creditors

	31 January 2009 £'000	31 July 2008 £'000
Accrued expenses	31	438
Accrued Managers' periodic charge	154	-
Amounts payable for cancellation of units	49	4,093
Purchases awaiting settlement	339	-
Total creditors	**573**	**4,531**

10. Portfolio transaction costs

	31 January 2009 £'000	31 July 2008 £'000
Analysis of total purchase costs:		
Purchases in period before transaction costs	23,769	24,305
Commissions	46	50
Other costs	116	120
Gross purchases total	**23,931**	**24,475**
Analysis of total sales costs:		
Sales in period before transaction costs	28,374	31,730
Commissions	(52)	(60)
Total sales net of transaction costs	**28,322**	**31,670**

11. Contingent liabilities and outstanding commitments

There were no contingent liabilities or outstanding commitments at the balance sheet date.

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 15, 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 6.

- **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 page 5, 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** - The Trust's exposure to interest rate risk is limited to the balances held at the bank as disclosed in the balance sheet. Changes to the rate of interest applied on the underlying balances will affect the Trust accordingly. All cash balances earn interest at a variable rate.
- **CURRENCY RISK** – The value of the Trust's investments may be affected by currency movements since a proportion 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 January 2009 was:

Currency	Monetary exposures £'000	Non-monetary exposures £'000	Total £'000
Euro	-	-	-
US Dollar	-	-	-
	-	**-**	**-**

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

Currency	Monetary exposures £'000	Non-monetary exposures £'000	Total £'000
Euro	280	621	901
US Dollar	-	31	31
	280	**652**	**932**

- **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 period end there were no derivatives held by the Trust.

14. Related party disclosures

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 Depositary 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 changes in Unitholders' net assets. At the period end the balance due to Royal London Unit Trust Managers Limited in respect of these transactions was £153,887 (31/7/2008: £399,715).

Trustee's fees, safe custody fees and activity fees charged by HSBC Bank plc and their associates are shown in note 5. At the period end the balance due to HSBC Bank plc and their associates in respect of these transactions was £3,854 (31/7/2008: £341).

Trustee's fees charged by J.P. Morgan Trustee and Depositary Company Limited and their associates are shown in note 5. At the period end the balance due to J.P. Morgan Trustee and Depositary Company Limited and their associates in respect of these transactions was £nil (31/7/2007: £4,397).

At the period end 67.32% (31/7/2008: 66.88%) 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 £7,506,785 (31/7/2008: £19,980,473) against which gilt collateral was held of £8,417,304 (31/7/2008: £21,181,379).

DISTRIBUTION TABLE

for the period ended 31 January 2009

Distribution in pence per unit

INTERIM

Group 1: Units purchased prior to 1 August 2008

Group 2: Units purchased between 1 August 2008 to 31 January 2009

Income units	Gross income	Income tax	Net income	Equalisation	Distribution payable 31/3/09	Distribution paid 31/3/08
Group 1	10.5939	1.0594	9.5345	-	9.5345	9.3714
Group 2	4.9982	0.4998	4.4984	5.0361	9.5345	9.3714

FACT FILE

Constitution

Launch date	April 1984 (income units) August 1997 (accumulation units - no longer issued)
Accounting end dates	31 July (final) 31 January (interim)
Distribution dates	30 September (final) 31 March (interim)
Minimum investment	£1,000 (thereafter £100)
Management charges:	**Initial** 4.00% **Annual** 1.25%

Investment Objective and Policy

The investment objective and policy of the trust is to achieve a combination of income and some capital growth by investing mainly in UK higher yielding and other equities, as well as convertible stocks.

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 and 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.

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 trust and not paid out it should be included in their Income Tax Return. No further liability exists if they pay at the Lower or Basis 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 in interest distributions paid by authorised unit trusts (primarily fixed interest, bond or cash unit trusts) is unafffected and investors should continue to have 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 wither 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 Trust was authorised on 6th April 1984. 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.