



# Royal London UK Equity Trust

Interim report for the period ended 28  
February 2009 (unaudited)

## 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 6 months under review to 28 February 2009, the bid price of the trust's units fell from 615.6 pence to 430.6 pence. The trust returned -30.05% against a return of -31.56% for the IMA UK All Companies Sector, representing a 1.51% outperformance for the trust. Over the same period the FTSE All Share returned -31.4%.

### Economic and stockmarket background

Although the credit crunch had been underway for well over a year, September 2008 seems now to have been the time when the effects of the Financial crisis really began to hit the global economies hard. Industrial production figures plummeted around the world and global trade contracted significantly. The US and UK economies officially entered recession with 2 negative quarters of GDP whilst Asia and even China showed that they were not immune from the global slowdown. Commodity prices continued to fall with oil having peaked at \$147 in July 2008 hitting a low of \$33 in December before rising slowly into 2009.

The autumn was dominated by fears of further insolvencies of financial institutions across the world and following the implosion of Lehmans, the governments decided that they could not afford to let any more institutions fail and in the UK they therefore underwrote substantial capital raising at RBS and Lloyds. Lloyds also rescued HBOS with the governments encouragement after it became apparent that the quality of their loan book was much worse than previously acknowledged and that it was deteriorating rapidly.

Stock markets obviously fell sharply whilst GDP and earnings forecasts were slashed and it became clear that we were no longer experiencing a mild recession but could be facing an extended period of deflation and the greatest fall in GDP since the 1930's. In addition to the bank refinancing measures, Governments began to announce large fiscal stimulus packages and interest rates were cut aggressively. All this weighed on sterling and the £/USD rate fell from 1.85 to 1.40 over the final quarter of 2009.

Unsurprisingly therefore Financials and Mining stocks were the worst performers over the period with RBS falling 90% and Lloyds losing 80%. Xstrata and Rio Tinto also fell more than 75%. Although no sectors rose over the period, Pharmaceuticals, Telecoms, Tobacco, Aerospace and Defence all outperformed losing less than 15%.

### Portfolio commentary

The trust has continued to perform relatively well as it has focussed on holding defensive companies and sectors and has been underweight in Consumer and Industrial Cyclical. Vodafone, GSK, Astra BP all added to performance, as has its large holding in British American Tobacco (BATS) and Imperial Tobacco.

The trust has also benefitted from underweighting the Banking sector, avoiding RBS and Barclays. However the Lloyds purchase of HBOS, and the continued overweight in the Lloyds Banking group detracted from performance.

As the winter progressed I increased the trusts holdings in some consumer discretionary companies in particular in the Travel and Leisure area. The trust benefited from the strong performance in 888 and Playtech, two companies involved in the online gaming industry that have been growing strongly, are very cash generative and have been able to improve their market positions through acquisitions. In addition I purchased a holding in Easyjet and Thomas Cook both companies look to be taking advantage of the consolidation in the travel industry, where capacity has been removed leaving reasonable pricing power for the remaining players, who should also begin to benefit from the increased discretionary income available to those with falling mortgages.

### Outlook

The trust manager remains cautious on the economy and therefore continues to invest in non-economically sensitive quality companies as the core of the portfolio. However, given the unprecedented size of the stimulus packages being put together by governments around the world and the monetary easing caused by low inflation rates, falling sterling and the start of quantitative easing it is likely we are currently at the trough of the economy and will begin to see more green shoots of recovery over the summer. The trust has been selectively buying more economically sensitive growth companies.

The market remains very cheap on a longer term basis and I believe that longer term there is significant upside as it becomes apparent that the economy is recovering, however the path to recovery is likely to be bumpy and I would expect to see several bear market rallies and further selloffs before the new bull market begins.

**Jane Coffey**  
**March 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
28/2/09	236,757	431.33	54,890,239
31/8/08	164,362	616.71	26,651,261
31/8/07	181,792	654.98	27,755,516
31/8/06	2,724,821	591.79	460,436,378

### Unit Price Range

Calendar Year	Highest sale (offer) p	Lowest redemption (bid) p
2009*	526.60	427.30
2008	727.70	402.00
2007	735.20	609.80
2006	669.70	546.20
2005	581.70	454.60
2004	479.40	399.50

### Net Income Information

Calendar Year	Pence per unit	Per £1,000 invested on 2 January 2004
2009*	5.94	13.71
2008	14.48	33.46
2007	12.73	29.41
2006	11.06	25.55
2005	9.47	21.88
2004	8.47	19.57

### Total Expense Ratio

Date	Percentage %
28/2/09	1.33
29/2/08	1.35

\* 28 February 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 28 February 2009

	Notes	28 February 2009		29 February 2008	
		£'000	£'000	£'000	£'000
Net losses on investments during the period	2		(50,703)		(6,817)
Other gains	3		10		1
Income	4	3,850		2,128	
Expenses	5	(1,312)		(1,214)	
Finance costs: Interest	7	(4)		-	
Net income before taxation		2,534		914	
Taxation	6	(21)		1	
Net income after taxation for the period			2,513		915
<b>Total return before distribution</b>			<b>(48,180)</b>		<b>(5,901)</b>
Finance costs: Distributions	7		(2,384)		(911)
<b>Change in net assets attributable to unitholders</b>			<b>(50,564)</b>		<b>(6,812)</b>

### Statement of Changes in Unitholders' Net Assets

for the period ended 28 February 2009

	Notes	28 February 2009		29 February 2008	
		£'000	£'000	£'000	£'000
<b>Net assets at the start of the period</b>			<b>164,362</b>		<b>181,792</b>
Amounts transferred from other funds *			119,441		-
Movement due to sales and repurchases of units:					
Amounts received on creation of units		1,457		-	
Less: Amounts paid on cancellation of units		(1,197)		(3,108)	
			260		(3,108)
Change in net assets attributable to unitholders			(50,564)		(6,812)
Retained distribution on accumulation units	7		3,258		905
<b>Net assets at the end of the period</b>			<b>236,757</b>		<b>172,777</b>

\* This large creation took place in November 2008 and was the result of the merger with Royal London Bridge UK Equity Trust. This creation consisted of stock of £115,155,697 and cash of £4,284,822.

## Portfolio statement

as at 28 February 2009

Holding	Investment	Bid-Market value (£'000)	Total net assets (%)
<b>Corporate Convertibles - 0.38% (31/8/08 - 0.00%)</b>			
<b>Corporate Convertibles</b>			
£ 1,300,000	Barclays Bank 9.75% CV 30/9/2009	897	0.38
<b>Basic Materials - 6.38% (31/8/08 - 9.64%)</b>			
<b>Mining</b>			
223,299	Anglo American	2,271	0.96
366,374	BHP Billiton	4,125	1.74
307,584	Rio Tinto	5,626	2.38
458,323	Xstrata	3,087	1.30
<b>Oil &amp; Gas - 22.25% (31/8/08 - 18.78%)</b>			
<b>Oil &amp; Gas Producers</b>			
1,013,466	BG Group	10,135	4.28
4,274,856	BP	19,493	8.23
65,737	Cairn Energy	1,258	0.53
195,378	Premier Oil	1,478	0.62
226,955	Royal Dutch Shell A	3,519	1.49
933,864	Royal Dutch Shell B	14,008	5.92
<b>Oil Equipment &amp; Services</b>			
510,000	AMEC	2,790	1.18
<b>Industrials - 6.92% (31/8/08 - 8.85%)</b>			
<b>Aerospace &amp; Defence</b>			
1,526,015	BAE Systems	5,677	2.40
1,633,946	Cobham	3,131	1.32
<b>Construction &amp; Materials</b>			
906,573	Balfour Beatty	2,942	1.24
<b>Industrial Metals</b>			
2,074,666	International Ferro Metals	436	0.18
<b>Support Services</b>			
186,371	BPP Holdings	602	0.25
352,476	Bunzl	2,013	0.86
415,481	Serco Group	1,583	0.67
<b>Consumer Goods - 11.93% (31/8/08 - 5.19%)</b>			
<b>Food Producers</b>			
204,277	Unilever	2,747	1.16
<b>Household Goods</b>			
241,243	Reckitt Benckiser	6,398	2.70
<b>Personal Goods</b>			
426,777	SSL International	2,022	0.85
<b>Tobacco</b>			
578,189	British American Tobacco	10,332	4.36
401,594	Imperial Tobacco Group	6,767	2.86
<b>Consumer Services - 8.99% (31/8/08 - 11.18%)</b>			
<b>Media</b>			
804,846	Eros International	684	0.29
948,960	Informa	2,028	0.86
721,934	Reed Elsevier	3,761	1.59
576,545	United Business Media	2,370	1.00
<b>Travel &amp; Leisure</b>			
3,388,739	888 Holdings	3,550	1.50
837,595	easyJet	2,632	1.11
660,117	FirstGroup	1,769	0.75
1,010,560	Thomas Cook Group	2,175	0.92
309,886	Whitbread	2,306	0.97

Holding	Investment	Bid-Market value (£'000)	Total net assets (%)
<b>Healthcare - 11.62% (31/8/08 - 10.69%)</b>			
<b>Healthcare Equipment &amp; Services</b>			
1,084,055	Southern Cross Healthcare	1,000	0.42
<b>Pharmaceuticals &amp; Biotechnology</b>			
388,125	AstraZeneca	8,558	3.61
1,323,809	GlaxoSmithKline	13,754	5.81
500,230	Shire	4,222	1.78
<b>Utilities - 4.63% (31/8/08 - 3.49%)</b>			
<b>Electricity</b>			
872,541	International Power	2,072	0.88
430,052	Scottish & Southern Energy	4,907	2.07
<b>Gas, Water &amp; Multiutilities</b>			
647,408	National Grid	3,978	1.68
<b>Financials - 9.61% (31/8/08 - 19.24%)</b>			
<b>Banks</b>			
2,255,134	HSBC Holdings (London listed)	11,338	4.79
3,269,206	Lloyds TSB	1,942	0.82
<b>Equity Investment Instruments</b>			
629,064	Dunedin Smaller Companies Investment Trust	337	0.14
53,352	Standard Life European	21	0.01
<b>General Financial</b>			
1,220,783	IG Group Holdings	3,214	1.36
<b>Life Insurance</b>			
1,284,613	Aviva	3,857	1.63
1,827,757	Friends Provident	1,327	0.56
<b>Real Estate</b>			
198,413	Shaftesbury	519	0.22
447,688	Wichford	179	0.08
<b>Technology - 3.67% (31/8/08 - 2.03%)</b>			
<b>Software &amp; Computer Services</b>			
240,954	Autonomy Corporation	2,853	1.21
879,654	Playtech	3,151	1.33
<b>Technology Hardware &amp; Equipment</b>			
5,890,112	Spirent Communications	2,665	1.13
<b>Telecommunications - 9.86% (31/8/08 - 7.81%)</b>			
<b>Fixed Line Telecommunications</b>			
1,954,026	BT Group	1,712	0.72
2,136,606	Cable & Wireless	2,972	1.26
<b>Mobile Telecommunications</b>			
15,069,518	Vodafone Group (ordinary stock)	18,656	7.88
<b>Total value of investments</b>		<b>227,846</b>	<b>96.24</b>
<b>Net other assets</b>		<b>8,911</b>	<b>3.76</b>
<b>Total net assets</b>		<b>236,757</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.

## Balance sheet

as at 28 February 2009

	Notes	28 February 2009 £'000	31 August 2008 £'000
<b>ASSETS</b>			
Portfolio of investments		227,846	159,272
Debtors	8	3,023	1,578
Cash and bank balances		6,943	3,939
Total other assets		9,966	5,517
Total assets		237,812	164,789
<b>LIABILITIES</b>			
Creditors	9	1,055	427
Total liabilities		1,055	427
<b>Net assets attributable to unitholders</b>		<b>236,757</b>	<b>164,362</b>

For Royal London Unit Trust Managers Limited  
(Managers of the Royal London UK Equity Trust)

R.S. James                      Director

A.S. Carter                      Director

14 April 2009

## Summary of material portfolio changes

for the period ended 28 February 2009

Major Purchases	Note	Cost £'000	Major Sales	Note	Proceeds £'000
BP		11,094	Tesco		6,377
Vodafone Group (ordinary stock)		9,025	Prudential		3,339
Royal Dutch Shell B		9,001	Royal Dutch Shell B		3,241
GlaxoSmithKline		7,931	Croda International		2,549
HSBC Holdings (London Listed)		7,197	National Grid		2,214
Reckitt Benckiser		6,303	ICAP		2,016
British American Tobacco		5,893	Taylor Nelson Sofres		1,944
AstraZeneca		5,049	Homeserve		1,928
HBOS		5,013	Arriva		1,920
BG Group		4,146	AstraZeneca		1,799
Rio Tinto		4,014	Reed Elsevier		1,517
Imperial Tobacco Group		3,342	Unite Group		1,499
Royal Dutch Shell A		3,327	Lonmin		1,482
National Grid		3,320	Standard Chartered		1,248
Aviva		3,254	Serco Group		1,236
Cable & Wireless		3,224	Spectris		1,232
Playtech		3,218	Aviva		1,185
Scottish & Southern Energy		3,044	Imperial Tobacco Group		1,182
Unilever		2,910	Barclays		1,142
Xstrata		2,833	Autonomy Corporation		1,116
<b>Subtotal</b>		<b>103,138</b>	<b>Subtotal</b>		<b>40,166</b>
<b>Total cost of purchases for the period:</b>	<b>10</b>	<b>166,852</b>	<b>Total proceeds from sales for the period:</b>	<b>10</b>	<b>47,599</b>

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 28 February 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), fixed interest stocks 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.

In order to conduct a controlled distribution flow, interim distributions will be at the managers 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 27 February 2009.

Unapproved investments (within the meaning of the FSA 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 27 February 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

	28 February 2009 £'000	29 February 2008 £'000
<b>The net losses on investments during the period comprise:</b>		
Non-derivative securities	(50,703)	(6,817)
<b>Net losses on investments</b>	<b>(50,703)</b>	<b>(6,817)</b>

## 3. Other gains

	28 February 2009 £'000	29 February 2008 £'000
Net currency gains	10	1
<b>Net other gains</b>	<b>10</b>	<b>1</b>

## 4. Income

	28 February 2009 £'000	29 February 2008 £'000
Overseas dividends	173	123
UK dividends	3,381	1,949
Property investment income	29	-
Interest on debt securities	57	-
Stock lending income	19	-
Bank interest	61	56
Stock dividends	130	-
<b>Total income</b>	<b>3,850</b>	<b>2,128</b>

Stock lending income is disclosed net of fees as explained in accounting policy 1(c). The gross stock lending income received was £23,823 (29/2/08: £nil) with fees deducted of £4,765 (29/2/08: £nil).

## 5. Expenses

	28 February 2009 £'000	29 February 2008 £'000
<b>Payable to the Manager or associates of the Manager and agents of either of them:</b>		
Manager's periodic charge	1,232	1,141
<b>Payable to the Trustee, associates of the Trustee and agents of either of them:</b>		
Safe custody fees	2	(4)
Trustee's fees - HSBC	9	-
Trustee's fees - JP Morgan	3	13
Activity fees	1	(4)
	15	5
<b>Other expenses:</b>		
Registrar's fees	62	70
VAT recovered on registration fees	-	(6)
Audit fee	3	4
	65	68
<b>Total expenses</b>	<b>1,312</b>	<b>1,214</b>

## 6. Taxation

	28 February 2009 £'000	29 February 2008 £'000
<b>a) Analysis of charge (credit) in period</b>		
Overseas Tax	21	(1)
<b>Current tax charge (note 6b)</b>	<b>21</b>	<b>(1)</b>

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

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

Net income before taxation	2,534	914
Corporation tax at 20% (2008: 20%)	507	183

#### Effects of:

Income not subject to taxation	(702)	(390)
Expenses not deductible for tax purposes	-	(1)
Current period expenses not utilised	195	208
Irrecoverable overseas tax	21	(1)
Current tax charge for the period (note 6a)	21	(1)

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 (31/8/08: same).

### d) Factors that may affect future tax charges

At the period end, there is a potential deferred tax asset of £19,676,216 (31/8/08: £19,481,054) in relation to surplus management expenses and £716,356 (31/8/08: £692,930) in relation to excess unutilised foreign tax available for double tax relief. It is unlikely that the Trust 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:

	28 February 2009 £'000	29 February 2008 £'000
Interim dividend distribution - payable 30 April 2009	3,258	905
	<b>3,258</b>	<b>905</b>
Add: Income deducted on cancellation of units	5	6
Deduct: Income received on the creation of units	(879)	-
<b>Net distributions for the period</b>	<b>2,384</b>	<b>911</b>
Interest	4	-
<b>Total finance costs</b>	<b>2,388</b>	<b>911</b>

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

Net income after taxation	2,513	915
Stock dividends treated as capital	(130)	-
Expenses charged to capital	1	(4)
<b>Net distributions for the period</b>	<b>2,384</b>	<b>911</b>

Details of the distribution per unit are set out on page 15.

## 8. Debtors

	28 February 2009 £'000	31 August 2008 £'000
Accrued income	1,898	1,033
Overseas tax recoverable	9	7
Income tax recoverable	-	15
Sales awaiting settlement	1,116	523
<b>Total debtors</b>	<b>3,023</b>	<b>1,578</b>

## 9. Creditors

	28 February 2009 £'000	31 August 2008 £'000
Accrued expenses	259	207
Purchases awaiting settlement	769	110
Amounts payable for cancellation of units	27	110
<b>Total creditors</b>	<b>1,055</b>	<b>427</b>

## 10. Portfolio transaction costs

	28 February 2009 £'000	29 February 2008 £'000
Analysis of total purchase costs		
Purchases in period before transaction costs	166,545	37,240
Commissions	95	72
Taxes	212	177
<b>Gross purchases total</b>	<b>166,852</b>	<b>37,489</b>
Analysis of total sales costs		
Sales in period before transaction costs	47,692	36,833
Commissions	(93)	(67)
<b>Total sales net of transaction costs</b>	<b>47,599</b>	<b>36,766</b>

## 11. Contingent liabilities and outstanding commitments

There were no contingent liabilities or outstanding commitments at the balance sheet date (31/8/08: £nil).

## 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 16, 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 PROFILE OF FINANCIAL ASSETS AND LIABILITIES** – The tables below detail the interest rate risk profile of the company's assets and liabilities as at 28 February 2009.

#### Net foreign currency assets as at 28 February 2009:

Currency	Fixed rate financial assets £'000	Floating rate financial assets £'000	Financial assets not carrying interest £'000	Total £'000
Euro	-	71	3,580	3,651
Sterling	897	6,872	225,867	233,636
US Dollar	-	-	525	525
	<b>897</b>	<b>6,943</b>	<b>229,972</b>	<b>237,812</b>

#### Net foreign currency assets as at 31 August 2008:

Currency	Fixed rate financial assets £'000	Floating rate financial assets £'000	Financial assets not carrying interest £'000	Total £'000
Euro	-	188	-	188
Sterling	-	3,751	160,639	164,390
US Dollar	-	-	211	211
	<b>-</b>	<b>3,939</b>	<b>160,850</b>	<b>164,789</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).

## Notes to the Financial Statements

**Net foreign currency liabilities as at 28 February 2009:**

<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	-	-	1,055	1,055
	-	-	<b>1,055</b>	<b>1,055</b>

**Net foreign currency liabilities as at 31 August 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	-	-	427	427
	-	-	<b>427</b>	<b>427</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 affected by currency movements since some 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 period 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 28 February 2009 was:**

<b>Currency</b>	<b>Monetary exposures £'000</b>	<b>Non-monetary exposures £'000</b>	<b>Total £'000</b>
Euro	132	3,519	3,651
US Dollar	525	-	525
	<b>657</b>	<b>3,519</b>	<b>4,176</b>

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

<b>Currency</b>	<b>Monetary exposures £'000</b>	<b>Non-monetary exposures £'000</b>	<b>Total £'000</b>
Euro	188	587	775
US Dollar	211	-	211
	<b>399</b>	<b>587</b>	<b>986</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 period end there were no derivatives held by the Trust.

**14. Related party transactions**

The Trust's Manager, Royal London Unit Trust Managers Ltd. and the Trustee, J.P. Morgan Trustee and Depositary Company Limited, 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 Ltd. are shown in note 5 and details of units created and cancelled by Royal London Unit Trust Managers Ltd. are shown in the statement of movements in Unitholders' funds. At the period end the balance due to Royal London Unit Trust Managers Ltd. in respect of these transactions was £267,017 (31/8/08: £279,903).

Safe custody fees, activity fees and Trustee's 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 £5,309 (31/8/08: £316).

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 (31/8/08: £5,845).

At the period end 88.36% (31/8/08: 76.17%) of the units in issue were held by The Royal London Mutual Insurance Society Limited. Royal London Unit Trust Managers Ltd. is a wholly owned subsidiary of The Royal London Mutual Insurance Society Limited.

**15. Stock lending**

At 28th February 2009 the aggregate value of equity securities on loan at the balance sheet date was £10,158,811 (31/8/2008: £17,484,997) against which collateral in the form of equities and government bonds was held of £13,619,931 (31/8/08: £15,726,346).

## Distribution Table

## Distribution table

for the period ended 28 February 2009

## Distribution in pence per unit

## Interim

Group 1: Units purchased prior to 1 September 2008

Group 2: Units purchased between 1 September 2008 and 28 February 2009

Accumulation units	Gross income	Income tax	Net income	Equalisation	Distribution payable 30/4/2009	Distribution paid 30/4/2008
Group 1	6.5951	0.6595	5.9356		5.9356	3.3162
Group 2	3.1664	0.3166	2.8498	3.0858	5.9356	3.3162



## FACT FILE

### Constitution

<b>Launch date</b>	April 1984 (income units - no longer issued) August 1997 (accumulation units)
<b>Accounting end dates</b>	31 August (final) Last day of February (interim)
<b>Distribution dates</b>	31 October (final) 30 April (interim)
<b>Minimum investment</b>	£1,000 (thereafter £100)
<b>Management charges:</b>	<b>Initial</b> 4.00% <b>Annual</b> 1.25%

### Investment Objective and Policy

The investment objective and policy of the Trust is to achieve capital growth by investing primarily in a broad portfolio of quoted UK stocks and shares.

The Trust may hold transferable securities and units in collective investment schemes and cash (for the purpose of Efficient Portfolio Management and redemption of units). It may also hold derivatives for the purpose of Efficient Portfolio Management only.

### 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 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.

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.





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.