

ROYAL LONDON UNIT TRUST MANAGERS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

Registered Number 2372439

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COMPANIES HOUSE

ROYAL LONDON UNIT TRUST MANAGERS LIMITED

**DIRECTORS AND AUDITORS
FOR THE YEAR ENDED 31 DECEMBER 2017**

Registered Office

55 Gracechurch Street
London
EC3V 0RL

(Company limited by shares - registered in England & Wales)

Registered Number

2372439

Directors

Andrew Carter (Chairman)
Piers Hillier (resigned 28 July 2017)
Andrew Hunt (appointed 4 July 2017)
Richard James (resigned 31 December 2017)
Rakesh Kumar (appointed 20 June 2017)
Jonathan Platt (resigned 28 July 2017)
Susan Spiller (appointed 17 July 2017)
Robert Williams

Company Secretary

Royal London Management Services Limited

Independent Auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
7 More London Riverside
London
SE1 2RT

ROYAL LONDON UNIT TRUST MANAGERS LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

1 Review of the business

Results and performance

Royal London Unit Trust Managers Limited ("the Company" or "RLUTM") is part of The Royal London Group; it invests customer and policyholder assets with the aim of delivering strong investment performance, in exchange for a management fee. We are pleased to report RLUTM performed very strongly during 2017. We were helped by improved investment conditions, which supported higher returns and increased demand for our services.

The company's profit for the financial year was £7.4m (2016: £6.3m); this is after a £2m charge (2016: nil) related to a provision established for a historical pricing error in the Royal London Property Fund. The provision represents management's best estimate of cost associated with the error.

A final £3.5m dividend was paid on 27 December 2017 (2016: Nil).

Business environment

The macro environment has not changed significantly over the past 12 months. Global growth remained positive and inflation low. However, interest rates were again increased by the US Federal Reserve – albeit to levels that are still very low in historical terms, while the Bank of England increased rates for the first time in a decade.

The political backdrop has been more uncertain, with a snap UK election that resulted in a hung parliament. Brexit negotiations continue around both the transitional arrangements and ongoing relations with the EU in the future. Beyond the UK, uncertainty over US foreign policy remained an issue, particularly with regard to increased tensions with North Korea.

Turning to markets, gilt yields ended the year slightly lower, as markets focused on political risk despite reasonable economic data and the UK rate rise. UK government bonds underperformed US equivalents but outperformed core European markets. In credit, positive sentiment towards risk assets and the ongoing search for yield helped sterling corporate bonds outperform gilts, with credit spreads tightening towards 2015 levels. The appetite for risk assets also helped equity markets. The FTSE 100 returned over 11.9% in 2017, with returns from the US and Japan nearing 22% for sterling investors.

Strategy

RLUTM's business plan continues to be centered on providing investors with access to strategies that meet their changing investment needs. Most of our Funds are actively managed and we have a focus on UK asset classes. In 2017, we launched a Multi Asset Credit offering and one of the largest ever UK property funds, which has a portfolio of £2.8bn of mainly central London prime properties. In 2018, we expect to continue with the broadening of this range with the further development of our Global Equity offering.

In the short to medium term (next 5 years), RLUTM's strategic objectives are focused around four key areas;

- Developing new propositions and capabilities – having the ability to adapt to customer needs;
- Meeting regulatory requirements – embedding a culture and framework that matches our regulatory obligations and changes;
- Pursuing wider distribution opportunities – diversifying our footprint within the UK and focusing resources on key growth areas outside of the UK; and
- Investing in infrastructure – upgrading our front office, data and client systems making them scalable.

Key performance indicators

The directors review a range of key performance indicators ("KPIs") on a regular basis to monitor the performance of RLUTM and the funds it manages. Detailed reporting is provided to the RLUTM Board across a broad range of metrics; to include corporate profitability, client fund flows and other management information to support the Board in providing effective governance and management of the business. Profit before taxation, net external client fund flows, and funds under administration are regarded as KPIs.

- Profit before taxation for the year was £9.1m (2016: £7.9m)
- Net external client fund flows was £1.3bn (2016: £0.5bn)
- Funds under administration at the end of the year were £42.0bn (2016: £30.6bn)

The gross sales of units during the year were £16,945,761,104 (2016: £14,520,084,669); reflecting the strong new business wins achieved in the year across the fund range.

The Board also consider a range of non-financial indicators during the year, covering other aspects pertinent to the continued successful management of the business.

ROYAL LONDON UNIT TRUST MANAGERS LIMITED

STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

2 Principal risks and uncertainties

Effective risk management is fundamental to RLUTM delivering long-term value for our clients and end-customers. RLUTM operates under the Royal London Group risk management system to identify, manage, monitor and report its risks. The Board meets regularly and considers the risks facing the company and the controls in place to manage risks.

The principal risks and uncertainties facing the Company are listed below:

Strategic Risk

Consumer behaviours

RLUTM's principal business channels are the Institutional, Corporate Pensions and Wholesale and Retail Savings markets and uncertainty in these markets could limit both new client investments and contributions from existing clients. Volatility in the economy and investment markets, and the continuing prospects for low growth rates in the UK can affect consumers' disposable incomes and appetite for our products and services. Changing socio-economic trends (customers wanting to deal direct, transactions through mobile applications, data security etc.) present opportunities and challenges to our business model.

The Board undertake regular reviews to ensure strategies and operational capabilities are developed to take account of current and future changes in markets and consumer behaviours. The product range and market position is regularly reviewed through analysis of customer experience and business volumes.

Client service

Client relationships are fundamental to RLUTM's business and the retention of funds under management. There is a risk that RLUTM does not deliver consistent above average performance and high service levels resulting in failure to meet its clients' expectations. The Board actively considers customer experience and regularly reviews investment performance to ensure the firm continues to meet expectations.

Operational Risk

Conduct - Culture

The behaviour, attitudes and motivations of RLUTM are key areas of cultural conduct risk. Senior management model good behaviour and demonstrate the values and spirit of Royal London to ensure good outcomes are delivered to customers.

Conduct - Product design

Poor product design or complexity can result in misrepresentation of products to clients. Market conditions may render existing products ineffective and no longer suitable to meet clients' requirements. A product governance process has been developed by the centralised Product Development team to ensure products deliver appropriate outcomes for customers. Board approval is required for all new product developments or significant changes.

Conduct - Sales

RLUTM is required to ensure sales and financial promotions are made to a suitably targeted customer base, with appropriately maintained records and associated incentive schemes designed to avoid the possibility of mis-selling. RLUTM operates processes to appropriately identify current issues and potential risks with a significant conduct impact and the Board regularly monitors conduct risk and sales activity.

Legal and regulatory - General

RLUTM operates in a highly regulated environment. Risks arise from RLUTM's obligation to meet its legal and regulatory requirements and to interpret and manage changes in the legal and regulatory environment. Senior management are responsible for the management of legal and regulatory risk. They are supported by legal and compliance teams. The legal and compliance teams provide advice and training and perform monitoring to ensure RLUTM complies with its obligations.

ROYAL LONDON UNIT TRUST MANAGERS LIMITED

STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

2 Principal risks and uncertainties (continued)

Legal and regulatory - Brexit

Uncertainty over the nature and timing of any negotiations with the EU leads to a lack of clarity over regulation and legislation for fund managers and the markets they operate in.

The UK's exit from the EU is not expected to have a materially detrimental impact on RLUTM's strategy and business due to our focus on the UK. However, we recognise the potential impact on our non-UK Alternative Investment Funds and any potential implications with regard to Scotland's independence.

Outsourced services providers

In line with other financial services organisations, RLUTM has a number of material relationships with outsourcers and service providers. Whilst processing or specialist work is undertaken by these organisations, RLUTM remain fully responsible for the oversight, management and performance of the outsourced activity. There is a risk that RLUTM would be unable to meet regulatory obligations following the failure of, or a significant degradation in, service received from a material outsourcer or service provider.

RLUTM has a framework for the governance and oversight of material outsourcer and supplier arrangements. It includes the requirement for Board approval prior to commencing material outsourcer and supplier arrangements together with policies and processes for the oversight and escalation of risks and issues to the attention of the appropriate risk committees.

Business continuity

RLUTM has an obligation to service its clients on a continuous basis and is required to identify potential threats to its ability to operate. Business continuity policies are in place to define expected standards and practice. Plans are regularly tested and off-site back up facilities are in place.

Financial risk

Credit Counterparty

The exposure within RLUTM is considered to be quite small, due to the small period of time between trading and settlement, and, as mentioned above, no amounts held are deemed significant enough to threaten the ability of RLUTM to continue in business. There is no material concentration to an individual counterparty. Close and continuous monitoring of counterparties continues on a local level.

Liquidity

This represents the risk that adequate liquid funds are not available to settle liabilities when they fall due, or when the firm experiences sudden unexpected cash outflows. The approach adopted by RLUTM has been incorporated into the projection of cash flows and the adaptation of these to stressed environments.

Market risk

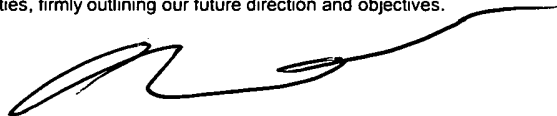
RLUTM holds a small amount of shares in the manager's box which has very limited exposure to market risk.

Capital management

RLUTM maintains adequate capital to fund its on-going activities, absorb losses and meet regulatory requirements. RLUTM monitors its capital position through regular reporting to the Board.

3 Future developments

RLUTM's future development will be influenced and guided by key developments to the asset management business. Therefore we have established eight pathways in the key areas of: ambition, brand, operating model, proposition, customers, people, conduct and assurance. These pathways define our ambition for 2020, and run alongside our business as usual activities, firmly outlining our future direction and objectives.



Andrew Carter
Chief Executive Officer
21 March 2018

ROYAL LONDON UNIT TRUST MANAGERS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

The directors present their report and the audited financial statements of the Company for the year ended 31 December 2017.

Principal activities

The principal activity of the Company is an authorised fund manager and alternative investment fund manager of authorised collective investment schemes.

Business review and future developments

The Directors' Report should be read in conjunction with the Strategic Report on page 3 (which is incorporated in this Directors' Report by reference), which together, include information about the Company's business, its financial performance during the year, and likely developments in the future.

Directors

The directors who held office during the year and up to the date of signing of the financial statements are given below:

Andrew Carter (Chairman)
Piers Hillier (resigned 28 July 2017)
Andrew Hunt (appointed 4 July 2017)
Richard James (resigned 31 December 2017)
Rakesh Kumar (appointed 20 June 2017)
Jonathan Platt (resigned 28 July 2017)
Susan Spiller (appointed 17 July 2017)
Robert Williams

Directors Appointments post 31 December 2017

Catherine Read (appointed 11 January 2018)

Directors' qualifying third party indemnity provisions

The directors have the benefit of a qualifying third party indemnity provision (as defined in section 234 of the Companies Act 2006). This provision was in force throughout the financial year and through the date the financial statements were approved. The Company's parent, The Royal London Mutual Insurance Society Limited also maintains directors' and officers' liability insurance in respect of the company and its directors.

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards, including FRS101 have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

ROYAL LONDON UNIT TRUST MANAGERS LIMITED

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)**

Statement of directors' responsibilities (continued)

Disclosure of information to auditors

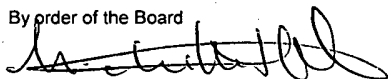
The directors who held office as at the date of approval of this Directors' Report confirm that;

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

Independent Auditors

In accordance with Sections 485 and 487 of The Company's Act 2006, PricewaterhouseCoopers LLP (PwC) are deemed to have been re-appointed as independent auditors of the Company.

By order of the Board



Royal London Management Services Limited

Company Secretary

21 March 2018

ROYAL LONDON UNIT TRUST MANAGERS LIMITED
INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
ROYAL LONDON UNIT TRUST MANAGERS LIMITED

Report on the financial statements

Opinion

In our opinion, Royal London Unit Trust Managers Limited's financial statements:

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

We have audited the financial statements, included within the Annual Report and Financial Statements, which comprise: the Statement of Financial Position as at 31 December 2017; the Statement of Comprehensive Income, the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

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

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

Reporting on other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

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

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

ROYAL LONDON UNIT TRUST MANAGERS LIMITED
INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
ROYAL LONDON UNIT TRUST MANAGERS LIMITED (continued)

Strategic Report and Directors' Report

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

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities set out on pages 6-7, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.


Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.



Thomas Robb (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
21 March 2018

ROYAL LONDON UNIT TRUST MANAGERS LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 £'000	2016 £'000
Turnover	1(b), 2	51,037	38,323
Cost of sales	3	(35,253)	(26,544)
Gross profit		<u>15,784</u>	<u>11,779</u>
Administrative expenses		(6,710)	(3,927)
Operating profit		<u>9,074</u>	<u>7,852</u>
Interest receivable and similar income	8	<u>35</u>	<u>-</u>
Profit on ordinary activities before taxation	4	9,109	7,852
Tax on profit on ordinary activities	9	<u>(1,755)</u>	<u>(1,555)</u>
Profit for the financial year		<u>7,354</u>	<u>6,297</u>
Total comprehensive income for the year		<u>7,354</u>	<u>6,297</u>

All amounts above are in respect of continuing operations.

The accounting policies and notes on pages 13 to 17 form an integral part of these financial statements.

ROYAL LONDON UNIT TRUST MANAGERS LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017**

	Called up share capital £'000	Capital reserve £'000	Retained Earnings £'000	Dividends Paid £'000	Total shareholders' funds £'000
At 1 January 2016	600	-	16,233	-	16,833
Profit for the financial year	-	-	6,297	-	6,297
At 31 December 2016	600	-	22,530	-	23,130
Dividend paid	-	-	-	(3,500)	(3,500)
Profit for the financial year	-	-	7,354	-	7,354
At 31 December 2017	600	-	29,884	(3,500)	26,984

The accounting policies and notes on pages 13 to 17 form an integral part of these financial statements.

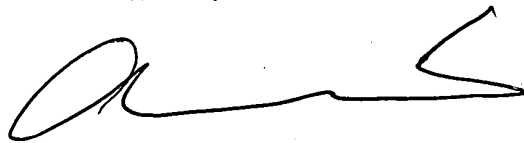
ROYAL LONDON UNIT TRUST MANAGERS LIMITED

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

	Note	2017 £'000	2016 £'000
Current assets			
Financial instruments	1(e)	213	225
Debtors	10	46,505	100,480
Cash at bank and in hand		<u>35,501</u>	<u>38,987</u>
		82,219	139,692
Creditors: amounts falling due within one year	11	53,235	116,562
Net current assets		<u>28,984</u>	<u>23,130</u>
Provision for liabilities	12	2,000	-
Net assets		<u>26,984</u>	<u>23,130</u>
Equity			
Called up share capital	13	600	600
Retained Earnings	13	<u>26,384</u>	<u>22,530</u>
Total shareholders' funds		<u>26,984</u>	<u>23,130</u>

The accounting policies and notes on pages 13 to 17 form an integral part of these financial statements.

The financial statements on pages 10 to 17 were approved by the board of directors on 21 March 2018 and signed on its behalf by:



Andrew Carter
Chief Executive Officer
Royal London Unit Trust Managers Limited
Registered number : 2372439

ROYAL LONDON UNIT TRUST MANAGERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

1 Accounting policies

(a) Basis of preparation

These financial statements are prepared on the going concern basis, under the historical cost convention, and in accordance with the Companies Act 2006 and Financial Reporting Standard (FRS) 101, 'Reduced Disclosure Framework'. FRS 101 has been effective since 1 January 2015. The Board gained shareholder permission to adopt the reduced disclosure.

FRS 101 permits the use of International Financial Reporting Standards (IFRS) as adopted for use in the European Union but with certain exemptions, as described below.

In accordance with FRS 101, the company has taken the exemptions not to present the following items required by IFRS:

- Comparative information for the reconciliation of the number of shares outstanding at the beginning and end of the period.
- A cash flow statement and related disclosures.
- Information on new IFRSs that have been issued but which are not yet effective.
- Key management compensation.
- Related party transactions between members of the group provided that any subsidiary that is party to the transaction is wholly owned by the group.
- The requirements of IFRS 7 financial instruments as the equivalent disclosures are included in the consolidated financial statements of the Royal London Group.

The Company has taken advantage of the exemptions within IFRS 8 (Operating Segments) not to provide segmental information.

The principal accounting policies, which have been applied consistently throughout the year, are set out below.

(b) Turnover

Turnover consists primarily of annual management charges (AMC) based on the value of the collective investment schemes managed by the company. It is recognised on an accrual basis when the service is provided with all services and turnover are performed within the UK. Rebates of AMC payable to clients are offset against turnover. AMC is stated net of value added tax.

(c) Cost of sales

Investment management fees are paid and calculated in line with the investment management agreements.

Other costs relate to commissions paid to independent financial advisors in respect of the sale of units or shares within the Royal London OEIC range of funds. Costs of sales are recognised when incurred.

(d) Taxation

Provision is made for taxation at current rates on the appropriate adjusted trading profit and relief for overseas taxation is taken where appropriate.

(e) Debtors / creditors

Debtors and creditors are recognised initially at fair value and they are subsequently measured at fair value with any resultant gain or loss recognised in profit or loss.

(f) Financial instruments

Stock is carried at mid value, with changes in value included within turnover in the statement of comprehensive income.

(g) Consolidated financial statements

Consolidated financial statements have not been prepared as the Company is exempt under Section 400 of the Companies Act 2006 as the Company is a wholly owned subsidiary of The Royal London Mutual Insurance Society Limited.

(h) Critical estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. Information on significant areas of critical judgement in applying accounting policies are described within the significant accounting policies above.

Management have established a provision for the year for a historical pricing error (see Note 12).

ROYAL LONDON UNIT TRUST MANAGERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

2 Turnover

	2017	2016
	£'000	£'000
Income from unit dealing	217	155
Investment management fees	50,820	38,168
	<u>51,037</u>	<u>38,323</u>

The Company acts as principal in the sale of units in its OEICs.

RLUTM may receive initial charges from the gross sales of units as income from unit dealing.

3 Cost of sales

	2017	2016
	£'000	£'000
Investment management fees paid to RLAM	32,404	23,614
Commission payments	2,849	2,930
	<u>35,253</u>	<u>26,544</u>

4 Profit before taxation

The Company has no employees (2016: none). Staff are employed by the parent undertaking, The Royal London Mutual Insurance Society Limited. They are seconded to Royal London Management Services Limited which recharges their employment expenses to the Company. The aggregate amount payable in respect of these expenses in the year was £1,364,000 (2016: £926,000). This was included within the total management re-charge of £2,284,991 (2016: £2,287,770).

Full details of staff costs, including relevant pension scheme details, are given in the published financial statements of the ultimate parent undertaking.

5 Staff number information

The monthly average number of employees (excluding executive directors) seconded to the company during the year was thirteen (2016: eleven).

	2017	2016
By activity:	Number	Number
Administration and other	<u>13</u>	<u>11</u>

ROYAL LONDON UNIT TRUST MANAGERS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

6 Directors' emoluments

The directors' emoluments are paid by Royal London Asset Management Limited, a related party of the Company, which makes no recharge to the Company. The portion of these emoluments given for the provision of services to the company during the year is £2,039,672 (2016: £1,368,797). Aggregate amounts (excluding shares) receivable under long-term incentive schemes was £671,291 (2016: £433,248). Aggregate emoluments of the highest paid director were £564,442 (2016: £413,217) of which £237,894 (2016: £156,450) relates to long term incentive schemes. They are a member of a defined benefits scheme which closed to new accruals in 2017. The scheme rules entitle them to an accrued pension £0 (2016: £19,565) if they were to retire at the year end.

There are no retirement benefits accruing for directors at the year end (2016: two) under a defined benefits scheme.

7 Auditors' remuneration

	2017 £'000	2016 £'000
Audit fees	<u>20</u>	<u>12</u>

Disclosure is not made of non-audit remuneration receivable by the Company's auditors or an associate of the Company's auditors in accordance with Statutory Instrument 2008 No.489, regulation 5(1)(b), as this is compiled within the group consolidated financial statements of the ultimate parent company, The Royal London Mutual Insurance Society Limited.

Any fees payable to PricewaterhouseCoopers LLP and its associates for services other than the statutory audit of the Company are not disclosed as the consolidated financial statements of the parent company are required to disclose non-audit fees on a consolidated basis.

8 Interest receivable and similar income

	2017 £'000	2016 £'000
Bank interest	<u>35</u>	<u>-</u>

9 Tax on profit

	2017 £'000	2016 £'000
(a) Tax on profit	<u>1,753</u>	<u>1,555</u>
Current Tax		
UK corporation tax at 19.25% (2016: 20%) on the profit for the year	1,753	1,570
Adjustment in respect of prior periods	2	(15)
Tax on profit (Note 9(b))	<u>1,755</u>	<u>1,555</u>

(b) Factors affecting tax

The tax assessed for the year is different from the standard rate of corporation tax in the UK of 19.25% (2016: 20%) applied to the profit before taxation. The differences are explained below:

	2017 £'000	2016 £'000
Profit before taxation	<u>9,109</u>	<u>7,852</u>
Profit multiplied by the standard rate of UK corporation tax of 19.25% (2016: 20%)	1,753	1,570
Effects of:		
Transfer pricing adjustments	-	(15)
Income not taxable	-	-
Interest imputed for tax purposes on intra-group debt		
Previous periods tax charge adjustments	2	-
Total tax charge for the year (Note 9(a))	<u>1,755</u>	<u>1,555</u>

ROYAL LONDON UNIT TRUST MANAGERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
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10 Debtors

	2017 £'000	2016 £'000
Trade debtors		
Amounts owed by unitholders	29,467	89,994
Amounts owed by the funds	<u>1,511</u>	<u>2,187</u>
	30,978	92,181
Other debtors	238	115
Prepayments and accrued income	<u>15,289</u>	<u>8,184</u>
	<u>46,505</u>	<u>100,480</u>

Amounts owed by group undertakings are unsecured, interest free and repayable on demand. All debtors are due within one year (2016: All).

11 Creditors: amounts falling due within one year

	2017 £'000	2016 £'000
Trade creditors		
Amounts owed to unitholders	7,112	54,313
Amounts owed to the funds	<u>22,613</u>	<u>38,542</u>
	29,725	92,855
Amounts owed to group undertakings	21,611	21,717
Taxation payable	738	864
Other creditors	<u>1,161</u>	<u>1,126</u>
	<u>53,235</u>	<u>116,562</u>

Amounts due to group undertakings are unsecured, interest free and repayable on demand.

12 Provisions for liabilities and charges

	2017	2016
Provision for historical pricing error	<u>2,000</u>	-
	<u>2,000</u>	-

The provision is management's best estimate based on the information available to date. The estimated compensation due to clients was calculated using; the average value for the error in the fund price over the period, divided by the average fund NAV movement over the period of the error. The cost of re-working the fund prices and compensating each client has been estimated and added to the compensation cost to give a total estimated provision.

ROYAL LONDON UNIT TRUST MANAGERS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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13 Called up share capital

	2017 £'000	2016 £'000
Allotted, and fully paid		
600,000 (2016: 600,000) ordinary shares of £1 each	<u>600</u>	<u>600</u>

Retained Earnings

	2017 £'000	2016 £'000
At 1 January	22,530	16,233
Dividend Paid	(3,500)	-
Profit for the financial year	<u>7,354</u>	<u>6,297</u>
At 31 December	<u>26,384</u>	<u>22,530</u>

14 Client money balances held

As required by the UK Financial Services and Markets Act 2000 and in accordance with FCA rules, the company maintains certain client money balances on behalf of clients with banks totalling £58,792,043 (2016: £8,063,086). These amounts and any related liabilities are not included in the Company's Statement of Financial Position.

15 Ultimate parent undertaking and controlling party

RLUTM is a wholly owned subsidiary of The Royal London Mutual Insurance Society Limited.

The immediate and ultimate parent undertaking and controlling party is The Royal London Mutual Insurance Society Limited which is the parent company of the smallest and largest group to consolidate these financial statements. Copies of the group annual financial statements can be obtained from 55 Gracechurch Street, London EC3V 0RL.

16 Related Party Disclosures

During the year, the Company managed 35 (2016: 33) OEICs that are associates or subsidiaries (that are not wholly owned) of its immediate parent company. Investment management fees of £8,314,833 (2016: £6,442,555) were received from these OEICs during the year. The amounts receivable from the OEICs at 31 December 2017 were £12,217,423 (31 December 2016: £29,344,539).

In its capacity as Authorised Corporate Director of the OEICs, the Company creates and redeems shares within the OEICs as part of its day to day business. These transactions are not included in the statement of comprehensive income since they are client monies and relate to client investments in the OEICs and do not represent income to the Company. The amounts paid over to the depositaries of the OEICs for the creation of shares during the year were £13,328,285,859 (2016: £12,718,646,006). The amounts received from the depositaries of the OEICs for the redemption of shares during the year were £7,614,824,054 (2016: £5,740,108,592).

17 Capital Management (unaudited)

The Company's primary objective in respect of capital management is to ensure that it has sufficient capital now and in the future to support the risks in the business and to ensure that it can meet any regulatory capital requirements.

The Company is required by the FCA to hold regulatory capital in respect of its regulatory business.

Capital consists of the excess of assets over liabilities, which is subject to three capital tests, the strictest being the funds under management based requirement, as set out in the table below.

The Company has, at all times during the current and prior financial periods, held sufficient capital to meet all of these regulatory requirements.

	2017 £'000	2016 £'000
Net assets per accounts	26,984	23,130
Less :funds under management based requirement	<u>(8,616)</u>	<u>(6,337)</u>
Surplus capital	<u>18,368</u>	<u>16,793</u>