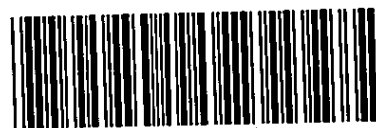


ROYAL LONDON CASH MANAGEMENT LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

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ROYAL LONDON CASH MANAGEMENT LIMITED

**DIRECTORS AND AUDITORS
FOR THE YEAR ENDED 31 DECEMBER 2012**

Registered Office

55 Gracechurch Street
London, EC3V 0UF

Registered Number

1963229

Directors

Andrew Carter (Chairman)
Christopher Chudley
Richard James
Thomas Meade
Robert Talbut

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 CASH MANAGEMENT LIMITED

**BUSINESS REVIEW
FOR THE YEAR ENDED 31 DECEMBER 2012**

Business Review and Outlook

During the year Royal London Cash Management Limited ("RLCM" or the "company") continued to win new cash management mandates across a variety of sectors, against a backdrop of historically low interest rates, continued uncertainty in respect of banking and sovereign risk, and increased direct competition from banks themselves

Managing segregated cash portfolios in recent times has presented challenges, but we believe we have been meeting these challenges through a series of measures designed to increase security, provide liquidity and enhance return for our clients

RLCM remain focused on capital preservation, with our approach acknowledging that clients with cash on deposit value security first and foremost

Despite the low interest rate environment, client demand remained robust with external net inflows during the year totalling £223 million, resulting in total cash under management rising to £4.7 billion by the end of the year

Profitability increased during the year by £118.6k after tax (an increase of 9% against 2011)

This was supported by additional revenues through higher average assets under management throughout the year, coupled with the benefit of RLCM continuing to maintain an efficient, lean, and scaleable business model

Thomas Meade
Director
21 March 2013

ROYAL LONDON CASH MANAGEMENT LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2012

The directors present their annual report and the audited financial statements of the company for the year ended 31 December 2012

Principal activities

RLCM is the cash management operation of the Royal London Group (the "Group"). Our core business is the provision of specialist cash management services for a wide range of clients including the Group, charities, insurance companies, universities and public companies

Business review and future developments

The Directors' Report should be read in conjunction with the Business Review on page 2 (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

Results and dividends

The profit for the year, after tax, was £1,380,386 (2011 £1,261,775). No dividend was paid in the year (2011 no dividend). The results for the year and the state of the company's affairs are set out in the financial statements on pages 7 to 13

Principal risks and uncertainties

The company's business involves the acceptance and management of risk. The principal risks and uncertainties facing the company are listed below

Market risk

RLCM does not hold investments in its own name and as a Limited License Investment Firm does not typically hold the necessary permissions to trade on its own behalf. Therefore the exposure to market risk is small

Counterparty failure or exposure

The exposure within RLCM is considered to be quite small, due to the small period of time between trading and settlement. There is no significant concentration in an individual counterparty and no amounts held are significant enough to threaten the ability of RLCM to continue business. Close and continuous monitoring of counterparties is performed on a local level, and procedures for immediate escalation to the Credit and Market Risk Committee members are in operation

Concentration risk

RLCM has cash balances held with a small number of banks which does represent a concentration risk. Ratings given to these banks by agencies such as Standard & Poor's and Moodys are high and provide assurance that this risk is unlikely to materialise. RLCM fee incomes are concentrated across a limited number of client sectors

Contagion risk

The impact of contagion across businesses within the Royal London Group ("Group") through the crystallisation of a risk event in one business entity giving rise to a cost or loss in another, through, for example, financial links or investor sentiment is more common in groups that share brands. The Group carry a number of brands, products, market sectors and legal entities that do not reflect a uniform front that would be materially impacted by contagion. In addition, all companies within the Group conduct and operate different business models, under separate brands

Interest rate risk from non-trading activities

The current or prospective risk to RLCM's earnings and capital may arise from adverse movements in interest rates. The impact of these adverse interest rate movements could result in a loss of clients. This is a factor affecting the market as a whole and is a factor determined by economic indicators and confidence in the market. Whilst this may lead to a divergence of funds, RLCM does not believe the loss would be significant as clients would still want to place their money on deposit and achieve the best return possible in line with the level of the security they are seeking

Pension obligation risk

This risk is caused by the firm's contractual or other liabilities to or with respect to a pension scheme. The Royal London Group ("the Group") requires RLCM to make regular monthly contributions to the scheme and may be required to make one-off lump sum payments in the future. The next actuarial valuation is due on 31 December 2012

ROYAL LONDON CASH MANAGEMENT LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2012 (continued)

Principal risks and uncertainties (continued)

Operational risk

Operational risk is the risk of loss or negative impact to RLCM resulting from inadequate or failed internal process, people and systems or from external factors such as regulation and key suppliers. It includes legal and financial crime risk but excludes business risk.

Operational risk is a key risk factor for RLCM as an asset manager. RLCM will not engage in activities that in the opinion of the Board would fall outside the scope of the definition of investment management used by the Capital Requirements Directive in relation to the calculation of operational risk capital.

Reputation risk

RLCM's reputation is a fundamental tenet of its business and success. The risk is that damage to the reputation could in turn lead to negative publicity, costly litigation, a decline in the customer base or the exit of key employees and therefore directly or indirectly leading to a loss of revenue.

Potential exposure to reputation risk is reduced by having a well established control environment which ensures compliance and adherence to the regulatory, market and ethical obligations imposed on the company.

Key performance indicators

The directors review a range of key performance indicators ("KPIs") on a monthly basis to monitor the performance of the Company and the funds the Company manages. These are included as part of the pack prepared for each Board meeting. Profit before tax, net external client fund flows, and funds under management are some of key KPIs.

Profit before taxation for the year was £1,829k (2011: £1,688k)

Net external client fund flows was £223,063k (2011: -£204,681k)

Funds under management at the end of the year were £4,746,790k (2011: £4,194,559k)

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

Financial risk management

The Company business involves the acceptance and management of financial risk. The principal risks facing the Company are detailed below.

Credit risk

RLCM has a number of trade debtor balances at the end of each period. The credit risk of non-payment is mitigated by the investment management fees being deducted from the client portfolios on a monthly basis. The outstanding balances due from clients are regularly reviewed and action taken to recover the outstanding fees.

Liquidity risk

This represents the risk that adequate liquid funds are not available to settle liabilities or when the firm experiences sudden unexpected cash outflows. The approach adopted by RLCM has been incorporated into the projection of cash flows and the adaptation of these to stressed environments. This provides assurance that enough liquid funds are available if this type of risk was to crystallise.

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 group also maintains directors' and officers' liability insurance in respect of the company and its directors.

ROYAL LONDON CASH MANAGEMENT LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2012 (continued)

Directors

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

Andrew Carter (Chairman)
Christopher Chudley
Richard James
Thomas Meade
Robert Talbut

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed 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.

Disclosure of information to auditors

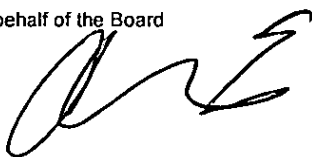
The directors who held office as at the date of approval of this Directors' Report confirm that,

- (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

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Annual General Meeting

On behalf of the Board



Andrew Carter
Director
21 March 2013

ROYAL LONDON CASH MANAGEMENT LIMITED
INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
ROYAL LONDON CASH MANAGEMENT LIMITED

We have audited the financial statements of Royal London Cash Management Limited for the year ended 31 December 2012 which comprise the Profit and Loss Account, the Reconciliation of Movements in Shareholders' Funds, the Balance Sheet, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 5 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report and financial statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2012 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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



Heidi Johnson (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
21 March 2013

ROYAL LONDON CASH MANAGEMENT LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2012**

	Note	2012 £	2011 £
Turnover	1(c)	3,491,742	3,283,991
Administrative expenses		<u>(1,701,390)</u>	<u>(1,621,749)</u>
Operating profit		1,790,352	1,662,242
Interest receivable and similar income	2	<u>38,231</u>	<u>25,466</u>
Profit on ordinary activities before taxation	3	1,828,583	1,687,708
Tax on profit on ordinary activities	6	<u>(448,197)</u>	<u>(425,933)</u>
Profit for the financial year	10	<u>1,380,386</u>	<u>1,261,775</u>

The company has no recognised gains or losses other than the profit for the financial years above and accordingly no statement of total recognised gains and losses has been prepared

There is no material difference between the profits as described in the profit and loss account and the results on an unmodified historical cost basis. Accordingly, a note of the historical cost profits and losses for the financial years is not given

All the amounts above are in respect of continuing operations

The accounting policies and notes on pages 10 to 13 form an integral part of these financial statements

ROYAL LONDON CASH MANAGEMENT LIMITED

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS
FOR THE YEAR ENDED 31 DECEMBER 2012

	2012 £	2011 £
Profit for the financial year	1,380,386	1,261,775
Dividends	-	-
Net change in shareholders' funds	1,380,386	1,261,775
Shareholders' funds as at 1 January	6,299,322	5,037,547
Shareholders' funds as at 31 December	7,679,708	6,299,322

The accounting policies and notes on pages 10 to 13 form an integral part of these financial statements

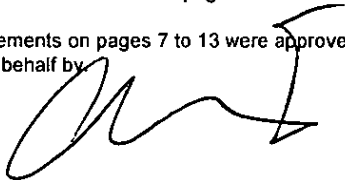
ROYAL LONDON CASH MANAGEMENT LIMITED

**BALANCE SHEET
AS AT 31 DECEMBER 2012**

	Note	2012 £	2011 £
Current assets			
Debtors	7	482,722	321,383
Cash at bank and in hand		<u>7,527,265</u>	<u>6,311,438</u>
		8,009,987	6,632,821
Creditors amounts falling due within one year	8	<u>331,110</u>	<u>334,599</u>
Net current assets		<u>7,678,877</u>	<u>6,298,222</u>
Deferred tax asset	6(c)	<u>831</u>	<u>1,100</u>
Net assets		<u>7,679,708</u>	<u>6,299,322</u>
Capital and reserves			
Called up share capital	9	885,000	885,000
Profit and loss account	10	<u>6,794,708</u>	<u>5,414,322</u>
Total shareholders' funds		<u>7,679,708</u>	<u>6,299,322</u>

The accounting policies and notes on pages 10 to 13 form an integral part of these financial statements

The financial statements on pages 7 to 13 were approved by the board of directors on 21 March 2013 and signed on its behalf by



Andrew Carter
Director
Royal London Cash Management Limited

Registered number 1963229

ROYAL LONDON CASH MANAGEMENT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012**

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 applicable accounting standards in the United Kingdom. The principal accounting policies, which have been applied consistently throughout the year, are set out below.

(b) Cash flow statements and related parties

The company is a wholly owned subsidiary of The Royal London Mutual Insurance Society Limited and is included in the consolidated accounts of that company, which are publicly available. Consequently the company has taken advantage of the exemption within Financial Reporting Standard 1 (Revised 1996), 'Cash Flow Statements' from preparing a cash flow statement and the exemption within Financial Reporting Standard 8, 'Related Party Disclosures', not to disclose related party transactions with undertakings controlled within the group.

(c) Turnover

This comprises fees receivable for the provision of investment cash management services to clients and arises wholly within the United Kingdom. It is recognised when the related services have been provided and is stated net of value added tax.

(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. Deferred taxation is provided on all untaxed gains and other timing differences, between their recognition in the financial statements and their recognition in the tax computations, except that overall assets are only recognised if, on the basis of all available evidence, it is regarded as more likely than not that the timing differences will reverse in the foreseeable future. The value of the resultant deferred tax assets and liabilities has been calculated on a discounted basis reflecting the fact that the timing differences are projected to reverse over several years. The discount rates used are post-tax yields to maturity that could be obtained at the balance sheet date on government bonds with maturity dates similar to those of the deferred tax assets and liabilities.

2 Interest receivable and similar income

	2012 £	2011 £
Bank interest	<u>38,231</u>	<u>25,466</u>

3 Profit on ordinary activities before taxation

The company has no employees (2011: nil). Staff are employed by the ultimate parent undertaking, The Royal London Mutual Insurance Society Limited. They are seconded to Royal London Management Services Limited which recharges their employment costs to Royal London Asset Management Limited, which in turn recharges the costs to Royal London Cash Management Limited and it is this company that bears these costs. The aggregate amount payable in respect of these expenses for the year was £1,152,940 (2011: £966,251).

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

	2012 £	2011 £
Auditors' remuneration Audit fees	20,811	24,973

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 complied with in the group consolidated financial statements of the ultimate parent company, The Royal London Mutual Insurance Society Limited.

ROYAL LONDON CASH MANAGEMENT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2012**

4 Staff number information

The average monthly number of people (including executive directors) seconded to the company during the year was

By activity	2012 Number	2011 Number
Fund management	2	2
Sales and marketing	3	3
Administration and other	4	4
	<u>9</u>	<u>9</u>

5 Directors' emoluments

	2012 £	2011 £
Directors' emoluments		
Aggregate emoluments	<u>691,732</u>	<u>609,947</u>

The aggregate emoluments of the highest paid director were £255,039 (2011 £211,839) including £63,158 (2011 £58,200) for amounts receivable under long term incentive schemes. He is a member of a defined benefit scheme, under which the accrued pension to which he would be entitled from normal retirement date if he were to retire at the year end, was £54,000 (2011 £50,000).

Three (2011 three) of the directors are paid emoluments by Royal London Asset Management Limited, a related party of the company. The portion of these emoluments given for the provision of services to the company during the year is £277,878 (2011 £246,927), of which £100,211 (2011 £92,029) relates to aggregate amounts receivable (excluding shares) under long term incentive schemes.

Retirement benefits are accruing to two directors at the year end (2011 two) under a defined benefit scheme.

6 Tax on profit on ordinary activities

	2012 £	2011 £
(a) Tax on profit on ordinary activities	<u>448,197</u>	<u>425,933</u>
Current Tax		
UK corporation tax on the profits for the year	447,932	447,065
Adjustment in respect of prior periods	(4)	(21,464)
Total current tax	<u>447,928</u>	<u>425,601</u>
(Note 6(b))		
Total deferred tax	<u>269</u>	<u>332</u>
(Note 6(c))		
Tax on profit on ordinary activities	<u>448,197</u>	<u>425,933</u>

(b) Factors affecting the tax charge

The tax assessed for the year is different from the standard rate of corporation tax in the UK of 24.5% (2011 26.5%) applied to the profit before tax. The differences are explained below.

	2012 £	2011 £
Profit on ordinary activities before tax	<u>1,828,583</u>	<u>1,687,708</u>
Profit on ordinary activities multiplied by standard rate of corporation tax of 24.5% (2011 26.5%)	448,003	447,074
Effects of		
Capital allowances for the period in excess of depreciation	(213)	(311)
Disallowed entertaining expenses	490	464
Adjustment to tax charge in respect of prior periods	(4)	(21,464)
Interest imputed for tax purposes on intra-group loans and other adjustments	(348)	(162)
Current tax charge for the year	<u>447,928</u>	<u>425,601</u>
(Note 6(a))		

During the year, as a result of changes in the UK main corporation tax rate to 24%, which was substantively enacted on 26 March 2012 and was effective from 1 April 2012, the company's result for this accounting period is taxed at an effective rate of 24.5%.

Further reductions to the UK corporation tax rate have been announced. The tax rate will reduce to 23% from 1 April 2013, this change was substantively enacted on 3 July 2012. A further reduction will reduce the rate to 22% from 1 April 2014, but this change had not been substantively enacted at the balance sheet date and, therefore, is not recognised in these financial statements.

ROYAL LONDON CASH MANAGEMENT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2012**

6 Tax on profit on ordinary activities (continued)

(c) Deferred taxation

A deferred tax asset has been provided for at the year-end to recognise that capital allowances in the sum of £3,827 (2011 £4,696) that have accumulated in prior years will be utilised in future accounting periods. The tax provision has been computed using the standard corporation tax rate of 23% (2011 25%) and has been discounted in accordance with current standard accounting practices. The full provision amounts to £880 (2011 £1,174) but with application of a discount totalling £49 (2011 £74), is reduced to the sum of £831 (2011 £1,100). There are no unrecognised deferred tax assets.

	2012 £	2011 £
At the start of the year	1,100	1,432
Deferred tax charge in the profit and loss account for the year	<u>(269)</u>	<u>(332)</u>
At the end of the year	<u>831</u>	<u>1,100</u>
The above balance is analysed as follows		
Capital allowances on plant and machinery expenditure	<u>831</u>	<u>1,100</u>
	<u>831</u>	<u>1,100</u>

7 Debtors

	2012 £	2011 £
Trade debtors	412,664	301,433
Amounts owed by group undertakings	66,641	17,846
Accrued income	<u>3,417</u>	<u>2,104</u>
	<u>482,722</u>	<u>321,383</u>

All debtors are due within one year (2011 All)

All amounts owed by group undertakings are unsecured, interest free and repayable on demand

8 Creditors amounts falling due within one year

	2012 £	2011 £
Sundry Creditors	1,151	-
Value added tax payable	93,810	80,482
Taxation payable	<u>236,149</u>	<u>254,117</u>
	<u>331,110</u>	<u>334,599</u>

ROYAL LONDON CASH MANAGEMENT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2012**

9 Called up share capital

	2012	2011
	£	£
Allotted, and fully paid		
885,000 (2011 885,000) ordinary shares of £1 each	<u>885,000</u>	<u>885,000</u>

10 Profit and loss account

	2012	2011
	£	£
At 1 January	5,414,322	4,152,547
Profit for the financial year	1,380,386	1,261,775
Dividend paid	-	-
At 31 December	<u>6,794,708</u>	<u>5,414,322</u>

11 Risk management objectives and policies for managing capital

A copy of the Pillar 3 Disclosure document is available at 55 Gracechurch Street, London EC3V 0UF
This information is also available on the company's website (www.rlcm.co.uk)

12 FSA Remuneration Code

The company complies with the FSA Remuneration Code. The remuneration disclosure relates to "Code Staff", that is staff whose professional activities have a material impact on the company's risk profile. Therefore, this may include staff that may not be directors of the company. The required disclosure under BIPRU 11.5.18 is available on the Royal London Group website (www.royallondongroup.co.uk)

13 Client money balances held

As required by the UK Financial Services and Markets Act 2000 and in accordance with FSA rules, the company maintains certain client money balances on behalf of clients with banks totalling £1,283m (2011 £1,383m). The company maintains custody asset balances with custodian banks totalling £3,469m (2011 £2,804m). These amounts and any related liabilities are not included in the company's balance sheet.

14 Ultimate parent undertaking and controlling party

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

The immediate and ultimate parent undertaking and controlling party is 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 report and accounts can be obtained from 55 Gracechurch Street, London EC3V 0UF.