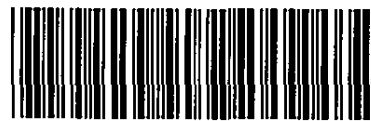


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ROYAL LONDON CASH MANAGEMENT LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010

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ROYAL LONDON CASH MANAGEMENT LIMITED

**DIRECTORS AND AUDITORS
FOR THE YEAR ENDED 31 DECEMBER 2010**

Registered Office

55 Gracechurch Street
London, EC3V 0UF

Registered Number

1963229

Directors

Andrew Carter (Chairman)
Christopher Chudley
Richard James
Thomas Meade

Company Secretary

Royal London Management Services Limited

Independent Auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
1 Embankment Place
London
WC2N 6RH

ROYAL LONDON CASH MANAGEMENT LIMITED

**ANNUAL REVIEW
FOR THE YEAR ENDED 31 DECEMBER 2010**

Business Review and Outlook

During the year the company continued to attract substantial new business against a background of extraordinarily low interest rates and continuing uncertainty in respect of banking and sovereign risk. External client funds under management increased by £247m (10%). The company's continuing emphasis on a traditional, 'safety first' approach to cash management remains a key component of many finance directors', treasurers' and bursars' liquidity solutions.

Funds under management from Royal London Group entities, having risen substantially in 2009, fell by around 28% as cash was reallocated to other asset classes through the year.

Total funds under management finished the year at £4.3bn (2009 £4.8bn). The company continues to be the largest manager of segregated cash portfolios in the United Kingdom.

Profitability increased during the year in line with increase in external funds managed. We expect further progress for the company during 2011 as we look to build on the good performance in 2010.



Thomas Meade
Director
22 March 2011

ROYAL LONDON CASH MANAGEMENT LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2010

The directors present their annual report and the audited financial statements of the company for the year ended 31 December 2010

Principal activities

The company is engaged in the provision of discretionary cash management services in respect of clients' liquid funds

Business review and future developments

The Directors' Report should be read in conjunction with the Business Review and Outlook 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

Results and dividends

The profit for the year, after tax, was £1,393,705 (2009 £1,352,062) No dividend was paid in the year (2009 56 50p per £1 share amounting to £500,000)

The results for the year and the state of the company's affairs are set out in the financial statements on pages 6 to 12

Principal risks and uncertainties

From the perspective of the company, the principal risks and uncertainties are integrated with the principal risks of Royal London Mutual Insurance Society Limited ("Royal London" or "the group") and are not managed separately. Accordingly, the principal risks and uncertainties of the group, which include those of the company, are discussed in the annual report of Royal London which does not form part of this report

The principal risks and uncertainties facing the company relate substantially to operational risk. The company seeks to limit any adverse effects of these risks by developing and implementing appropriate policies

Key performance indicators (KPI's)

The directors of Royal London manage the group's operations on a divisional basis

For this reason, the company's directors believe that analysis using key performance indicators for the company is not necessary or appropriate for an understanding of the development, performance or position of the business of Royal London Cash Management Limited. The development, performance and position of the investment management division of Royal London Mutual Insurance Society Limited, which includes the company, is discussed in the group's annual report, which does not form part of this report

Financial risk management

The company's operations expose it to certain financial risk. The most important of these risks are liquidity and credit risk. The company seeks to limit any adverse effects of these risks by developing appropriate policies which are implemented by the company's finance department

The company operates within the risk management policies and procedures maintained by its ultimate parent company, The Royal London Mutual Insurance Society Limited, which are discussed within the risk management note in the group's annual report and accounts

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

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

ROYAL LONDON CASH MANAGEMENT LIMITED

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2010 (continued)**

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 elected to prepare 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 and explained in the financial statements, and
- 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 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

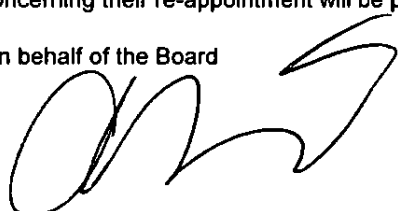
The directors who held office as at the date of approval of this Directors' Report confirm that,

- (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
22 March 2011

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 2010 which comprise the Profit and Loss account, the Reconciliation of Movements in Total Shareholders' Funds, the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the 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 4 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.

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 2010 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.

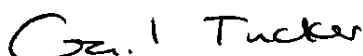
Opinion on other matter prescribed by the Companies Act 2006

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 received 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.



Gail Tucker (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
22 March 2011

ROYAL LONDON CASH MANAGEMENT LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2010**

	Note	2010 £	2009 £
Turnover	1(c)	3,654,104	3,447,267
Administrative expenses		<u>(1,739,719)</u>	<u>(1,587,740)</u>
Operating profit		1,914,385	1,859,527
Interest receivable and similar income	2	<u>22,124</u>	<u>18,101</u>
Profit on ordinary activities before taxation	3	1,936,509	1,877,628
Tax on profit on ordinary activities	6	<u>(542,804)</u>	<u>(525,566)</u>
Profit for the financial year		<u>1,393,705</u>	<u>1,352,062</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 year is not given

All the amounts above are in respect of continuing operations

The accounting policies and notes on pages 9 to 12 form an integral part of these financial statements

ROYAL LONDON CASH MANAGEMENT LIMITED

**RECONCILIATION OF MOVEMENTS IN TOTAL SHAREHOLDERS' FUNDS
FOR THE YEAR ENDED 31 DECEMBER 2010**

	Note	2010 £	2009 £
Profit for the financial year		1,393,705	1,352,062
Dividends	7	-	(500,000)
Net change in shareholders' funds		1,393,705	852,062
Shareholders' funds as at 1 January		3,643,842	2,791,780
Shareholders' funds as at 31 December		5,037,547	3,643,842

The accounting policies and notes on pages 9 to 12 form an integral part of these financial statements

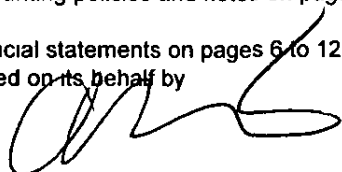
ROYAL LONDON CASH MANAGEMENT LIMITED

**BALANCE SHEET
AS AT 31 DECEMBER 2010**

	Note	2010 £	2009 £
Current assets			
Debtors	8	424,626	322,129
Cash at bank and in hand		<u>4,987,743</u>	<u>3,710,628</u>
		5,412,369	4,032,757
Creditors amounts falling due within one year	9	<u>376,254</u>	<u>390,711</u>
Net current assets		5,036,115	3,642,046
Deferred tax asset	6(c)	<u>1,432</u>	<u>1,796</u>
Net assets		5,037,547	3,643,842
Capital and reserves			
Called up share capital	10	885,000	885,000
Profit and loss account	11	<u>4,152,547</u>	<u>2,758,842</u>
Total shareholders' funds		5,037,547	3,643,842

The accounting policies and notes on pages 9 to 12 form an integral part of these financial statements

The financial statements on pages 6 to 12 were approved by the board of directors on 22 March 2011 and signed on its behalf by



Andrew Carter
Director
Royal London Cash Management Limited

Registration number 1963229

ROYAL LONDON CASH MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

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 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

	2010 £	2009 £
Bank interest	<u>22,124</u>	<u>18,101</u>

3 Profit on ordinary activities before taxation

The company has no employees (2009: 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, 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 £1,138,490 (2009: £968,301).

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

	2010 £	2009 £
Auditor remuneration	25,800	25,000
Audit Fees		

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, Royal London Mutual Insurance Society Limited.

ROYAL LONDON CASH MANAGEMENT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2010**

4 Staff number information

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

	2010	2009
Fund management	2	2
Sales and marketing	3	3
Administration and other	6	5
	<u>11</u>	<u>10</u>

5 Directors' emoluments

	2010 £	2009 £
Directors' emoluments		
Aggregate emoluments	<u>487,700</u>	<u>537,828</u>

The aggregate emoluments of the highest paid director were £176,700 (2009 £172,530). 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 £46,000 (2009 £43,000).

Two (2009 two) 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 £140,097 (2009 £194,336).

Retirement benefits are accruing to two directors at the year end (2009 two) under a defined benefit scheme.

6 Tax on profit on ordinary activities

	2010 £	2009 £
(a) Tax on profit on ordinary activities	<u>542,804</u>	<u>525,566</u>
UK corporation tax at 28.0% (2009 28.0%) on the profit for the year	542,145	525,265
Adjustment in respect of prior periods	295	(260)
Total tax for the year (Note 6(b))	<u>542,440</u>	<u>525,005</u>
Deferred tax charge (Note 6(c))	364	561
Tax on profit on ordinary activities	<u>542,804</u>	<u>525,566</u>

(b) Factors affecting the tax charge

The tax assessed for the year is higher (2009 lower) than the standard rate of corporation tax in the UK of 28.0% (2009 28.0%) applied to the profit before tax. The differences are explained below.

	2010 £	2009 £
Profit on ordinary activities before tax	<u>1,936,509</u>	<u>1,877,628</u>
Profits multiplied by standard rate of corporation tax of 28% (2009 28.0%)	542,223	525,736
Effects of		
Capital allowances for the period in excess of depreciation	(411)	(514)
Disallowed entertaining expenses	557	280
Adjustment to tax charge in respect of prior periods	295	(260)
Interest imputed for tax purposes on intra-group loans and other adjustments	(224)	(237)
Current tax charge for the year (Note 6(a))	<u>542,440</u>	<u>525,005</u>

ROYAL LONDON CASH MANAGEMENT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2010**

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 £5,870 (2009 £7,338) 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 27.25% (2009 28.0%) and has been discounted in accordance with current standard accounting practices. The full provision amounts to £1,601 (2009 £2,055) but with application of a discount totalling £169 (2009 £259), is reduced to the sum of £1,432 (2009 £1,796). There are no unrecognised deferred tax assets.

The standard rate of corporation tax in the UK will change from 28% to 27% with effect from 1 April 2011. It is anticipated that there will be future decreases in the tax rates in future years but these will only be enacted once they are included in future Finance Acts and Bills.

	2010 £	2009 £
At the start of the year	1,796	2,357
Deferred tax charge in the profit and loss account for the period	<u>(364)</u>	<u>(561)</u>
At the end of the year	<u>1,432</u>	<u>1,796</u>

The above balance is analysed as follows:

Capital allowances on plant and machinery expenditure	<u>1,432</u>	<u>1,796</u>
	<u>1,432</u>	<u>1,796</u>

7 Dividend

	2010 £	2009 £
Equity - Ordinary		
Final paid 0.00p (2009 56.50p) per £1 ordinary share	<u>-</u>	<u>500,000</u>

8 Debtors

	2010 £	2009 £
Trade debtors	373,741	321,879
Amounts owed by group undertakings	<u>50,885</u>	<u>250</u>
	<u>424,626</u>	<u>322,129</u>

All debtors are due within one year (2009 All).

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

9 Creditors amounts falling due within one year

	2010 £	2009 £
Amounts owed to group undertakings	-	37,911
Value added tax payable	80,239	64,426
Taxation payable	<u>296,015</u>	<u>288,374</u>
	<u>376,254</u>	<u>390,711</u>

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

10 Called up share capital

	2010 £	2009 £
Allotted, and fully paid		
885,000 (2009 885,000) ordinary shares of £1 each	<u>885,000</u>	<u>885,000</u>

ROYAL LONDON CASH MANAGEMENT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2010**

11 Profit and loss account

	2010	2009
	£	£
At 1 January	2,758,842	1,906,780
Profit for the financial year	1,393,705	1,352,062
Dividend paid	-	(500,000)
At 31 December	<u>4,152,547</u>	<u>2,758,842</u>

12 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)

13 Ultimate parent undertaking and controlling party

Royal London Cash Management Limited is a wholly owned subsidiary of 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