

Legal & General Ethical Trust
Annual Manager's Report
for the year ended
12 December 2018



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* These collectively comprise the Authorised Fund Manager's Report.

Manager's Investment Report

Investment Objective and Policy

The investment objective of this Trust is to secure capital growth from a portfolio of securities for companies whose business conforms to a range of ethical and environmental guidelines (as set out below).

Securities representing all such companies in the FTSE 350 Index will be held with weightings generally proportionate to their market capitalisation.

From time to time, non-Index constituents and non-ethical stocks may be held as a result of a corporate action and these holdings will be sold or transferred as soon as reasonably practical.

Companies have been excluded if they are substantially involved in or cause:

Animal testing	Military – nature of involvement
Gambling	Non-sustainable Timber
Health & safety convictions	Nuclear power
Countries with poor human rights records	Ozone depleting chemicals
Intensive farming	Pornography
Investment Trusts	Tobacco
	Water pollution

Independent monitoring of companies is carried out by Ethical Investment Research Services ("EIRIS") based on the criteria above.

The Trust may hold derivatives for Efficient Portfolio Management purposes.

Manager's Investment Report

During the year under review, the bid price of the Trust's R-Class distribution units fell by 10.06%. Although there is no published Index for those companies assessed as eligible by EIRIS, for comparison over the review year, the FTSE 350 Index (excluding Investment Trusts) on a capital only basis fell by 8.60%. Similarly, the broader based FTSE All-Share Index (excluding Investment Trusts) on a capital only basis increased by 8.62% (Source: Bloomberg). FTSE, the Index compiler, calculates these Indices at the end of the business day using closing prices, whereas the Trust is valued using prevailing prices at 12 noon. Therefore, for comparative purposes the Trust has been revalued using closing prices, on this basis the Trust fell by 10.34%.

Past performance is not a guide to future performance.

The value of investments and any income from them may go down as well as up.

Market/Economic Review

Despite closing 2017 on a positive note, UK equities faltered during the first quarter of 2018 recording three consecutive months of losses before rallying in April and May. Initially, Sterling strengthened with the currency reaching its highest level since the 2016 referendum, surpassing \$1.40 at the end of January. This caused a headwind for companies and sectors with high international earnings, notably food & beverages. Subsequently, the currency weakened, providing a boost for the same companies. Although the Bank of England indicated interest rates may need to be increased as soon as May, the economy grew at its slowest pace for six years during the first quarter leading the Bank to adopt a more cautious approach, raising its benchmark base rate to 0.75% in August. The healthcare and energy sectors performed well, boosted by the strength of the oil price and merger and acquisition activity respectively. Companies with significant exposure to emerging markets underperformed, notably mining

Manager's Investment Report continued

companies and financials. UK equities struggled in August as Brexit-related headlines intensified, along with the probability attached to a no deal scenario.

In the UK, the domestically focused FTSE 250 Index (-10.38%) and FTSE SmallCap Index (-9.25%) underperformed the more internationally focused FTSE 100 Index (-8.27%).

Trust Activity

The Trust's selection process excludes the Tobacco and Military industries, while the Oil & Gas, Pharmaceuticals & Biotechnology, Banks and Beverages sectors are markedly underweight. Such exclusions are compensated for by an increased presence in Life Insurance, Financial Services and Support Services.

There are three principal reasons for changes to the distribution of investments in the Trust: first, changes in the list of companies which meet the ethical criteria; secondly, changes in the FTSE 350 ex Investment Trusts Index at its quarterly review; and finally, changes due to corporate activity and takeovers.

FTSE rebalances the Index every quarter and companies added to the Index are only added to the Trust once confirmation of their acceptability for inclusion is received from EIRIS.

There were four Index reviews during the year.

In December 2017, the FTSE 350 ex Investment Trusts Index quarterly Index review resulted in four additions and three deletions. BCA Marketplace, RHI Magnesita, Purecircle and TI Fluid Systems were added and all of these stocks were subsequently assessed as eligible by EIRIS with the exception of RHI Magnesita that was deemed as unacceptable stock. PayPoint, Restaurant Group, Nostrum Oil & Gas were deleted from the Index. The largest increases in free share capital were for IP Group and Hargreaves Lansdown and SSE and the largest decreases were for Hansteen Holdings, National Grid and Aviva.

In March 2018, the quarterly Index review resulted in five additions and seven deletions. Games Workshop Group, On the Beach Group, ContourGlobal, Charter Court Financial Services and Bakkavor Group were added and all of these stocks were subsequently assessed as eligible by EIRIS with the exception of ContourGlobal and Bakkavor Group that were deemed as unacceptable stocks. Mitie Group, Vectura Group, Hansteen Holdings, Dignity, AA, Brown (N.) Group and Acacia Mining were deleted from the Index. The largest increases in free share capital were for Ocado Group, Dechra Pharmaceuticals and TalkTalk Telecom Group and the largest decreases were for Ferguson, Pearson and Carnival.

At the annual review in June 2018 there were four additions and three deletions. Premier Oil, Energean Oil & Gas were new additions to FTSE AllShare Universe and were subsequently assessed as eligible by EIRIS. Laird and Integrafyn Holdings were added to the universe, but not to EIRIS acceptable list. These companies replaced Marstons, Pets At Home Group and Purecircle which were all demoted to the FTSE SmallCap Index.

At the quarterly review in September 2018 there were four additions and four deletions. Plus500, Avast, Vivo Energy and Amigo Holdings were new additions to FTSE AllShare Universe, but were assessed as unacceptable for inclusion by EIRIS. Mccarthy & Stone, RDI REIT, Renewi and Alfa Financial Software Holdings were demoted to the FTSE SmallCap Index.

Manager's Investment Report continued

The merger activity outside the Index reviews included the promotion of Fenner from FTSE SmallCap Index as a result of the acquisition of Worldplay Group (UK) by Worldplay Inc. (US) that was deemed as unacceptable stock by EIRIS. Stocks deleted from the Index as a result of all cash deals included Aldermore Group that was acquired by FirstRand Limited, Fenner that was acquired by Michelin B, SKY's acquisition by Comcast Corp, ZPG's acquisition by Zephyr Bidco, Fidessa Group's acquisition by ION Investment Group, Laird's acquisition by AI Ladder, Vedanta Resources' acquisition by Volcan Investments Ltd. All stock acquisitions included Virgin Money Holdings' acquisition by CYBG and UBM's acquisition by Informa where the acquirer subsequently increased its weight in the Index. Nex Group was acquired by CME Group (US) in a cash and stock deal. The acquired constituents were replaced by EI Group, Spirent Communications and Hilton Food Group as those were promoted from Small Cap Index and deemed as acceptable by EIRIS.

Outside of the Index reviews, the free float was increased as a result of a secondary placing for Royal Bank of Scotland. Index weight increased as a result of primary placings for Cineworld, John Laing, Provident Financial and Metro Bank.

Capita, Phoenix Group and DS Smith raised capital via a rights issue.

The three largest stocks in the Trust at the end of the year were SHIRE, Prudential and Lloyds Banking Group.

Outlook

Following the rate hike in August to 0.75%, the BoE is likely to stay on hold until next year. Despite above-target inflation, the BoE will be wary to hike again in the midst of a congested Brexit timetable. Better fiscal position opens up space for further easing, more likely to be deployed ahead of next election, e.g. NHS spending. We have maintained our UK GDP growth rate expectation at 1.3% in 2018 and 1.5% in 2019. A Brexit 'No deal' scenario is still possible, however we see this as being an unlikely event. Headline inflation is expected to stay below 3% unless oil rises further. Our view is that the fundamentals driving economic growth remain relatively strong, and global growth is synchronised and therefore see limited recession risks in the next 12 months.

The Trust remains well positioned to capture the performance of the Index.

Legal & General Investment Management Limited

(Investment Adviser)

7 January 2019

Authorised Status

Authorised Status

This Trust is an Authorised Unit Trust Scheme as defined in section 243 of the Financial Services and Markets Act 2000 and is a UCITS Retail Scheme within the meaning of the FCA Collective Investment Schemes sourcebook.

Directors' Statement

We hereby certify that this Manager's Report has been prepared in accordance with the requirements of the FCA Collective Investment Schemes sourcebook.



A. J. C. Craven
(Director)



L. W. Toms
(Director)

Legal & General (Unit Trust Managers) Limited
31 January 2019

Statement of Responsibilities

Statement of the Manager's Responsibilities

The Collective Investment Schemes sourcebook published by the FCA, ("the COLL Rules") require the Manager to prepare financial statements for each annual accounting period which give a true and fair view of the financial position of the Trust and of the net income and net gains or losses on the property of the Trust for the period.

In preparing the financial statements, the Manager is responsible for:

- selecting suitable accounting policies and then apply them consistently;
- making judgements and estimates that are reasonable and prudent;
- following UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland;
- complying with the disclosure requirements of the Statement of Recommended Practice for UK Authorised Funds issued by the Investment Management Association in May 2014;
- keeping proper accounting records which enable it to demonstrate that the financial statements as prepared comply with the above requirements;
- assessing the Trust's ability to continue as a going concern, disclosing, as applicable, matters related to going concern;
- using the going concern basis of accounting unless they either intend to liquidate the Trust or to cease operations, or have no realistic alternative but to do so;
- 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; and
- taking reasonable steps for the prevention and detection of fraud and irregularities.

The Manager is responsible for the management of the Trust in accordance with its Trust Deed, the Prospectus and the COLL Rules.

Statement of Responsibilities continued

Statement of the Trustee's Responsibilities

The Depositary in its capacity as Trustee of Legal & General Ethical Trust must ensure that the Trust is managed in accordance with the Financial Conduct Authority's Collective Investment Schemes Sourcebook, the Financial Services and Markets Act 2000, as amended, (together "the Regulations"), the Trust Deed and Prospectus (together "the Scheme documents") as detailed below.

The Depositary must in the context of its role act honestly, fairly, professionally, independently and in the interests of the Trust and its investors.

The Depositary is responsible for the safekeeping of all custodial assets and maintaining a record of all other assets of the Trust in accordance with the Regulations.

The Depositary must ensure that:

- the Trust's cash flows are properly monitored and that cash of the Trust is booked in cash accounts in accordance with the Regulations;
- the sale, issue, repurchase, redemption and cancellation of units are carried out in accordance with the Regulations;
- the value of units of the Trust are calculated in accordance with the Regulations;
- any consideration relating to transactions in the Trust's assets is remitted to the Trust within the usual time limits;
- the Trust's income is applied in accordance with the Regulations; and
- the instructions of the Authorised Fund Manager ("the AFM"), which is the UCITS Management Company, are carried out (unless they conflict with the Regulations).

Report of the Trustee

Report of the Trustee to the Unitholders of the Legal & General Ethical Trust ("the Trust") for the year ended 12 December 2018

The Depositary also has a duty to take reasonable care to ensure that the Trust is managed in accordance with the Regulations and the Scheme documents of the Trust in relation to the investment and borrowing powers applicable to the Trust.

Having carried out such procedures as we considered necessary to discharge our responsibilities as Depositary of the Trust, it is our opinion, based on the information available to us and the explanations provided, that, in all material respects the Trust, acting through the AFM:

- (i) has carried out the issue, sale, redemption and cancellation, and calculation of the price of the Trust's units and the application of the Trust's income in accordance with the Regulations and the Scheme documents of the Trust; and
- (ii) has observed the investment and borrowing powers and restrictions applicable to the Trust in accordance with the Regulations and the Scheme documents of the Trust.

Northern Trust Global Services SE
UK Trustee and Depositary Services
31 January 2019

Portfolio Statement

Portfolio Statement as at 12 December 2018

All investments are in ordinary shares unless otherwise stated. The percentages in brackets show the equivalent holdings at 12 December 2017.

Holding/ Nominal Value	Investment	Market Value £	% of Net Assets
	Oil & Gas Producers — 0.59% (0.44%)		
199,450	Cairn Energy	325,502	0.13
22,953	Energean Oil & Gas	128,307	0.05
259,055	Premier Oil	191,312	0.07
475,728	Tullow Oil	902,932	0.34
		<hr/>	
		1,548,053	0.59
	Oil Equipment, Services & Distribution — 0.10% (0.07%)		
47,893	Hunting	255,030	0.10
	Chemicals — 1.19% (0.95%)		
65,314	Johnson Matthey	1,792,216	0.68
1,563,283	Sirius Minerals	336,106	0.13
93,851	Synthomer	354,381	0.13
27,937	Victrex	645,345	0.25
		<hr/>	
		3,128,048	1.19
	Forestry & Paper — 0.82% (0.66%)		
126,157	Mondi	2,150,346	0.82
	Industrial Metals & Mining — 0.39% (0.23%)		
174,324	Evraz	832,223	0.32
100,354	Ferrexpo	190,723	0.07
		<hr/>	
		1,022,946	0.39
	Mining — 6.16% (4.91%)		
118,882	Antofagasta	922,524	0.35
715,116	BHP Group	11,503,356	4.36
371,612	Centamin	375,514	0.14
63,438	Fresnillo	513,975	0.19
81,000	Hochschild Mining	135,877	0.05
80,074	KAZ Minerals	438,325	0.17
78,984	Polymetal International	647,511	0.25
24,979	Randgold Resources	1,702,569	0.65
		<hr/>	
		16,239,651	6.16
	Construction & Materials — 2.43% (2.85%)		
286,354	CRH	5,790,078	2.20
132,316	lbstock	271,777	0.10
24,479	Keller Group	129,739	0.05
64,659	Polypipe Group	210,788	0.08
		<hr/>	
		6,402,382	2.43
	General Industrials — 1.50% (1.47%)		
437,001	DS Smith	1,388,789	0.53

Portfolio Statement continued

Holding/ Nominal Value	Investment	Market Value £	% of Net Assets
	General Industrials — (cont.)		
137,703	RPC Group	915,450	0.35
81,544	Smurfit Kappa Group	1,652,081	0.62
		3,956,320	1.50
	Electronic & Electrical Equipment — 1.18% (0.98%)		
130,325	Halma	1,700,741	0.65
11,945	Renishaw	465,855	0.18
40,112	Spectris	932,604	0.35
		3,099,200	1.18
	Industrial Engineering — 1.98% (1.76%)		
64,478	Bodycote	452,958	0.17
27,032	Hill & Smith	308,165	0.12
92,129	IMI	841,598	0.32
297,228	Rotork	742,476	0.28
25,433	Spirax-Sarco Engineering	1,594,649	0.61
89,797	The Weir Group	1,271,974	0.48
		5,211,820	1.98
	Industrial Transportation — 0.59% (0.65%)		
8,492	Clarkson	173,237	0.06
14,752	James Fisher & Sons	252,554	0.10
316,159	Royal Mail	971,557	0.37
102,424	Stobart Group	158,962	0.06
		1,556,310	0.59
	Support Services — 7.87% (8.64%)		
209,478	AA	164,985	0.06
261,602	BCA Marketplace	531,052	0.20
115,321	Bunzl	2,785,002	1.06
568,963	Capita	633,825	0.24
37,988	Diploma	467,252	0.18
152,757	Electrocomponents	791,892	0.30
111,505	Equiniti Group	250,329	0.09
314,648	Experian	5,986,178	2.27
79,661	Ferguson	4,017,304	1.52
74,698	Graffon Group	495,621	0.19
461,279	Hays	666,087	0.25
93,214	HomeServe	834,265	0.32
202,298	Howden Joinery Group	899,822	0.34
233,800	IWG	472,744	0.18
106,796	PageGroup	530,349	0.20
45,846	Sanne Group	267,282	0.10
87,039	Travis Perkins	965,698	0.37
		20,759,687	7.87
	Automobiles & Parts — 0.04% (0.00%)		
66,436	TI Fluid Systems	111,480	0.04

Portfolio Statement continued

Holding/ Nominal Value	Investment	Market Value £	% of Net Assets
	Beverages — 1.00% (0.75%)		
28,631	A.G. Barr	218,455	0.08
90,549	Britvic	751,104	0.29
67,672	Coca-Cola HBC	1,662,024	0.63
		2,631,583	1.00
	Food Producers — 0.96% (0.73%)		
48,624	Bakkavor Group	67,004	0.03
17,631	Cranswick	494,020	0.19
52,010	Dairy Crest Group	226,868	0.09
242,597	Greencore Group	407,563	0.15
21,943	Hilton Food Group	196,609	0.07
160,108	Tate & Lyle	1,134,205	0.43
		2,526,269	0.96
	Household Goods & Home Construction — 2.54% (2.86%)		
345,831	Barratt Developments	1,580,793	0.60
42,688	Bellway	1,089,825	0.41
42,216	Berkeley Group	1,433,233	0.54
47,134	Bovis Homes Group	406,578	0.16
85,100	Crest Nicholson	279,128	0.11
83,918	Redrow	401,799	0.15
1,117,537	Taylor Wimpey	1,501,970	0.57
		6,693,326	2.54
	Leisure Goods — 0.12% (0.00%)		
10,311	Games Workshop Group	323,250	0.12
	Personal Goods — 1.10% (1.01%)		
142,605	Burberry Group	2,520,544	0.96
64,777	PZ Cussons	146,655	0.05
23,038	Superdry	88,696	0.03
9,829	Ted Baker	148,909	0.06
		2,904,804	1.10
	Health Care Equipment & Services — 2.50% (1.97%)		
132,342	Mediclinic International	441,096	0.17
29,759	NMC Health	949,907	0.36
301,042	Smith & Nephew	4,560,786	1.73
96,435	Spire Healthcare Group	108,682	0.04
85,598	UDG Healthcare	537,556	0.20
		6,598,027	2.50
	Pharmaceuticals & Biotechnology — 6.52% (4.64%)		
132,148	BTG	1,090,882	0.41
34,080	Dechra Pharmaceuticals	732,038	0.28
21,126	Genus	472,377	0.18
48,041	Hikma Pharmaceuticals	878,670	0.33
248,234	Indivior	219,389	0.08

Portfolio Statement continued

Holding/ Nominal Value	Investment	Market Value £	% of Net Assets
Pharmaceuticals & Biotechnology			
— (cont.)			
303,496	SHIRE	13,798,446	5.24
		<hr/>	<hr/>
		17,191,802	6.52
Food & Drug Retailers			
— 4.39% (2.93%)			
34,198	Greggs	454,491	0.17
555,534	J Sainsbury	1,571,050	0.60
150,990	Ocado Group	1,211,544	0.46
3,326,356	Tesco	6,646,059	2.52
749,563	Wm Morrison Supermarkets	1,691,389	0.64
		<hr/>	<hr/>
		11,574,533	4.39
General Retailers — 3.25% (3.39%)			
295,991	B&M European Value Retail	917,276	0.35
106,835	Card Factory	187,282	0.07
340,712	Dixons Carphone	472,397	0.18
32,183	Dunelm Group	182,478	0.07
68,087	Halfords Group	191,188	0.07
124,034	JD Sports Fashion	449,871	0.17
197,625	Just Eat	1,117,767	0.42
738,798	Kingfisher	1,728,049	0.65
45,941	Next	2,080,668	0.79
382,208	Saga	384,501	0.15
64,658	Sports Direct International	174,189	0.07
35,667	WH Smith	685,163	0.26
		<hr/>	<hr/>
		8,570,829	3.25
Media — 4.34% (4.62%)			
135,067	Ascential	498,667	0.19
318,376	Auto Trader Group	1,379,205	0.52
121,889	Entertainment One	436,363	0.17
18,296	Euromoney Institutional Investor	214,795	0.08
427,707	Informa	2,844,251	1.08
1,279,667	ITV	1,684,042	0.64
178,311	Moneysupermarket.com Group	528,514	0.20
267,481	Pearson	2,508,437	0.95
309,038	Rightmove	1,345,397	0.51
		<hr/>	<hr/>
		11,439,671	4.34
Travel & Leisure — 7.22% (6.10%)			
57,897	Carnival	2,553,837	0.97
346,430	Cineworld Group	952,682	0.36
163,381	Domino's Pizza Group	398,813	0.15
84,435	easyJet	898,811	0.34
150,000	El Group	266,700	0.10
415,821	FirstGroup	331,201	0.13
14,503	Go-Ahead Group	235,384	0.09
104,049	Greene King	542,928	0.21
65,569	InterContinental Hotels Group	2,785,371	1.06
553,061	International Consolidated Airlines Group	3,354,868	1.27

Portfolio Statement continued

Holding/ Nominal Value	Investment	Market Value £	% of Net Assets
	Travel & Leisure — (cont.)		
24,001	J D Wetherspoon	265,211	0.10
242,312	Merlin Entertainments	793,814	0.30
40,060	Millennium & Copthorne Hotels	188,683	0.07
74,882	Mitchells & Butlers	189,451	0.07
145,781	National Express Group	550,761	0.21
35,000	On the Beach Group	132,300	0.05
157,795	SSP	1,024,563	0.39
469,151	Thomas Cook Group	139,056	0.05
63,114	Whitbread	2,876,736	1.09
19,114	Wizz Air	560,996	0.21
		19,042,166	7.22
	Fixed Line Telecommunications — 0.20% (2.51%)		
230,396	TalkTalk Telecom Group	268,411	0.10
19,292	Telecom Plus	268,931	0.10
		537,342	0.20
	Mobile Telecommunications — 0.26% (6.65%)		
160,458	Inmarsat	680,663	0.26
	Electricity — 1.65% (1.49%)		
60,776	ContourGlobal	99,673	0.04
139,675	Drax Group	515,959	0.19
349,430	SSE	3,745,890	1.42
		4,361,522	1.65
	Gas, Water & Multi-utilities — 3.76% (3.14%)		
1,167,973	National Grid	9,906,747	3.76
	Banks — 7.05% (7.03%)		
12,977	Bank of Georgia Group	177,525	0.07
51,751	Close Brothers Group	745,732	0.28
422,101	CYBG	773,289	0.29
24,697,312	Lloyds Banking Group	12,966,089	4.92
30,943	Metro Bank	563,782	0.21
1,551,838	Royal Bank of Scotland Group	3,199,890	1.21
11,941	TBC Bank Group	169,562	0.07
		18,595,869	7.05
	Nonlife Insurance — 2.69% (2.04%)		
69,928	Admiral Group	1,417,441	0.54
179,943	Beazley	931,205	0.35
473,085	Direct Line Insurance Group	1,491,164	0.57
97,567	esure Group	272,797	0.10
101,982	Hastings Group	186,525	0.07
95,923	Hiscox	1,583,689	0.60
41,070	Jardine Lloyd Thompson Group	776,223	0.30
70,494	Lancashire	428,251	0.16
		7,087,295	2.69

Portfolio Statement continued

Holding/ Nominal Value	Investment	Market Value £	% of Net Assets
Life Insurance — 9.77% (9.72%)			
1,348,783	Aviva	5,137,514	1.95
320,696	Just Group	318,932	0.12
2,036,611	Legal & General Group	4,706,608	1.79
200,497	Phoenix Group	1,141,830	0.43
891,243	Prudential	12,758,144	4.84
179,197	St. James's Place	1,696,279	0.64
		25,759,307	9.77
Real Estate Investment & Services — 0.65% (0.59%)			
254,437	Capital & Counties Properties	633,803	0.24
54,960	CLS	113,218	0.04
1,461	Daejan	83,861	0.03
141,007	Grainger	303,165	0.12
65,803	Grainger Rights	21,833	0.01
45,198	Savills	317,968	0.12
60,798	St. Modwen Properties	240,274	0.09
		1,714,122	0.65
Real Estate Investment Trusts — 4.99% (4.37%)			
806,361	Assura	441,079	0.17
50,065	Big Yellow Group	444,077	0.17
337,767	British Land	1,889,469	0.72
34,688	Derwent London	1,009,768	0.38
97,703	Great Portland Estates	685,973	0.26
274,545	Hammerson	1,017,738	0.38
304,791	Intu Properties	361,482	0.14
245,383	Land Securities Group	2,046,003	0.78
217,074	LondonMetric Property	392,687	0.15
100,089	NewRiver REIT	229,704	0.09
249,795	Primary Health Properties	271,777	0.10
68,888	Safestore	362,351	0.14
346,450	SEGRO	2,135,518	0.81
79,306	Shaftesbury	709,789	0.27
88,301	UNITE Group	753,207	0.28
46,465	Workspace Group	399,134	0.15
		13,149,756	4.99
Financial Services — 7.07% (6.73%)			
327,784	3i Group	2,651,773	1.01
131,837	Ashmore Group	489,643	0.19
91,872	Brewin Dolphin	289,948	0.11
49,086	Charter Court Financial Services	116,923	0.04
90,597	Hargreaves Lansdown	1,661,549	0.63
95,763	Intermediate Capital Group	924,113	0.35
223,502	Investec	984,303	0.37
345,281	IP Group	383,262	0.15
168,987	John Laing Group	513,720	0.20
142,916	Jupiter Fund Management	429,463	0.16
107,325	London Stock Exchange Group	4,321,978	1.64

Portfolio Statement continued

Holding/ Nominal Value	Investment	Market Value £	% of Net Assets
Financial Services — (cont.)			
534,143	Man Group	718,956	0.27
82,828	OneSavings Bank	282,112	0.11
88,509	Paragon Banking Group	349,965	0.13
87,408	Provident Financial	535,636	0.20
18,417	Rathbone Brothers	433,168	0.16
38,343	Schroders	909,879	0.35
14,076	Sole Realisation (SVG Capital) ¹	—	—
884,212	Standard Life Aberdeen	2,066,403	0.78
194,399	TP ICAP	584,363	0.22
		18,647,157	7.07
Software & Computer Services — 2.32% (2.69%)			
21,799	AVEVA Group	534,075	0.20
24,481	Computacenter	242,607	0.09
27,851	FDM Group	225,315	0.09
147,313	Micro Focus International	2,217,797	0.84
372,291	Sage Group	2,225,556	0.84
42,356	Softcat	252,442	0.10
111,535	Sophos Group	415,802	0.16
		6,113,594	2.32
Technology Hardware & Equipment — 0.09% (0.00%)			
200,100	Spirent Communications	233,317	0.09
Portfolio of investments²		261,724,224	99.28
Net other assets		1,906,542	0.72
Total net assets		£263,630,766	100.00%

¹ Delisted securities are valued at the Manager's best assessment of their fair and reasonable value.

² All investments are admitted to an official stock exchange unless otherwise stated.

Total purchases for the year: £48,501,013.

Total sales for the year: £73,140,249.

Independent Auditor's Report

Independent auditor's report to the Unitholders of Legal & General Ethical Trust ('the Trust')

Opinion

We have audited the financial statements of the Trust for the year ended 12 December 2018 which comprise the Statement of Total Return, the Statement of Changes in Net Assets Attributable to Unitholders, the Balance Sheet, the Related Notes and Distribution Tables for the Trust and the accounting policies set out on pages 21 to 22.

In our opinion, the financial statements:

- give a true and fair view, in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland, of the financial position of the Trust as at 12 December 2018 and of the net revenue and the net capital losses on the property of the Trust for the year then ended; and
- have been properly prepared in accordance with the Trust Deed, the Statement of Recommended Practice relating to UK Authorised Funds, and the COLL Rules.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Trust in accordance with, UK ethical requirements including the FRC Ethical Standard.

We have received all the information and explanations which we consider necessary for the purposes of our audit and we believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

The impact of uncertainties due to Britain exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Trust's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the Trust's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a trust and this is particularly the case in relation to Brexit.

Going concern

The Manager has prepared the financial statements on the going concern basis as they do not intend to liquidate the Trust to cease their operations, and as they have concluded that the Trust's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

Independent Auditor's Report continued

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the Manager's conclusions, we considered the inherent risks to the Trust's business model, including the impact of Brexit, and analysed how those risks might affect the Trust's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Trust will continue in operation.

Other information

The Manager (Legal & General (Unit Trust Managers) Limited) is responsible for the other information presented in the Annual Manager's Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the other information; and
- in our opinion the information given in Manager's Report for the financial year 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 under the COLL Rules we are required to report to you if, in our opinion:

- proper accounting records for the Trust have not been kept; or
- the financial statements are not in agreement with the accounting records.

Manager's responsibilities

As explained more fully in their statement set out on page 6, the Manager is responsible for: the preparation of financial statements that give a true and fair view; 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; assessing the Trust'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 they either intend to liquidate the Trust or to cease operations, or have no realistic alternative but to do so.

Independent Auditor's Report continued

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Trust's unitholders, as a body, in accordance with Rule 4.5.12 of the Collective Investment Schemes sourcebook ('the COLL Rules') issued by the Financial Conduct Authority under section 247 of the Financial Services and Markets Act 2000. Our audit work has been undertaken so that we might state to the Trust's unitholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Trust and the Trust's unitholders as a body, for our audit work, for this report, or for the opinions we have formed.

Grant Archer
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square,
London E14 5GL
31 January 2019

Financial Statements

Statement of Total Return for the year ended 12 December 2018

Notes	12/12/18		12/12/17	
	£	£	£	£
Income				
Net capital (losses)/ gains	3	(30,827,164)		25,877,334
Revenue	4	10,698,102		10,254,920
Expenses	5	(1,979,466)		(2,548,781)
Interest payable and similar charges	7	(182)		(176)
Net revenue before taxation		<u>8,718,454</u>		<u>7,705,963</u>
Taxation	6	(18,145)		(16,238)
Net revenue after taxation for the year		<u>8,700,309</u>		<u>7,689,725</u>
Total return before distributions		<u>(22,126,855)</u>		<u>33,567,059</u>
Distributions	7	(8,764,014)		(7,693,280)
Change in net assets attributable to Unitholders from investment activities		<u>£(30,890,869)</u>		<u>£25,873,779</u>

Statement of Change in Net Assets attributable to Unitholders for the year ended 12 December 2018

	12/12/18		12/12/17	
	£	£	£	£
Opening net assets attributable to Unitholders		318,820,452		310,304,707
Amounts received on issue of units		19,499,465		16,605,782
Amounts paid on cancellation of units		(47,843,383)		(36,909,756)
		<u>(28,343,918)</u>		<u>(20,303,974)</u>
Change in net assets attributable to Unitholders from investment activities		(30,890,869)		25,873,779
Retained distributions on accumulation units		4,045,101		2,941,731
Unclaimed distributions		—		4,209
Closing net assets attributable to Unitholders		<u>£263,630,766</u>		<u>£318,820,452</u>

Financial Statements continued

Balance Sheet as at 12 December 2018

	Notes	12/12/18 £	12/12/17 £
ASSETS			
Fixed assets:			
Investments		261,724,224	317,436,704
Current assets:			
Debtors	8	899,000	1,148,623
Cash and bank balances	9	<u>3,117,047</u>	<u>2,779,812</u>
Total assets		<u>265,740,271</u>	<u>321,365,139</u>
LIABILITIES			
Creditors:			
Distributions payable		(1,512,255)	(2,033,708)
Other creditors	10	<u>(597,250)</u>	<u>(510,979)</u>
Total liabilities		<u>(2,109,505)</u>	<u>(2,544,687)</u>
Net assets attributable to Unitholders		<u>£263,630,766</u>	<u>£318,820,452</u>

Notes to the Financial Statements

1. Statement of Compliance

The Financial Statements have been prepared in compliance with UK Financial Reporting Standard 102 (FRS 102) and in accordance with the Statement of Recommended Practice for UK Authorised Funds issued by the Investment Management Association in May 2014 (2014 SORP).

2. Summary of Significant Accounting Policies

(a) Basis of Preparation

The Financial Statements have been prepared on a going concern basis, under the historical cost convention as modified by the revaluation of certain financial assets and liabilities measured at fair value through profit or loss.

The principal accounting policies which have been applied consistently are set out below.

(b) Functional and Presentation Currency

The functional and presentation currency of the Trust is Sterling.

(c) Recognition of Revenue

Revenue from quoted equities and non-equity shares is recognised net of attributable tax credits when the security is quoted ex-dividend. Revenue from unquoted equity investments is recognised net of attributable tax credits when the dividend is declared.

Overseas revenue received after the deduction of withholding tax is shown gross of taxation, with the taxation consequences shown within the taxation charge.

Special dividends are treated as either revenue or capital depending on the facts of each particular case.

Underwriting commission is taken to revenue and recognised when the issue takes place, except where the Trust is required to take up all or some of the shares underwritten, in which case an appropriate proportion of the commission is deducted from the cost of those shares.

All other revenue is recognised on an accruals basis.

(d) Treatment of Expenses

All expenses (other than those relating to the purchase and sale of investments) are charged against revenue on an accruals basis.

Notes to the Financial Statements continued

2. Summary of Significant Accounting Policies continued

(e) Distribution Policy

The policy is to distribute all available revenue, after deduction of those expenses which are chargeable in calculating the distribution. In order to conduct a controlled dividend flow, interim distributions will be at the Manager's discretion, up to a maximum of the distributable revenue for the period. All remaining revenue is distributed in accordance with the COLL.

Fund management fees are deducted from revenue for the purpose of calculating the distribution.

The ordinary element of stock dividends is treated as revenue and forms part of the distribution. In the case of an enhanced stock dividend, the value of the enhancement is treated as capital and does not form part of the distribution.

Distributions which have remained unclaimed by Unitholders for over six years are credited to the capital property of the Trust.

(f) Basis of Valuation of Investments

All investments are valued at their fair value as at 12 noon on 12 December 2018, being the last working day of the accounting year. The fair value for non-derivative securities is bid market price.

Where values cannot be readily determined, the securities are valued at the Manager's best assessment of their fair and reasonable value.

(g) Taxation

Provision is made for taxation at current rates on the excess of investment revenue over expenses, with relief for overseas taxation taken where appropriate.

Deferred tax is provided for on all timing differences that have originated but not reversed by the balance sheet date, other than those differences that are regarded as permanent. Any liability to deferred tax is provided for at the average rate of tax expected to apply.

3. Net capital (losses)/gains

	12/12/18	12/12/17
	£	£
The net capital (losses)/gains during the year comprise:		
Non-derivative securities	(30,835,307)	25,877,417
Forward currency contracts	5,219	—
Currency gains/(losses)	2,924	(83)
Net capital (losses)/gains	<u>(30,827,164)</u>	<u>25,877,334</u>

Notes to the Financial Statements continued

4. Revenue

	12/12/18	12/12/17
	£	£
UK Franked dividends	8,624,059	8,386,088
Non-taxable overseas dividends	1,037,706	868,683
Property dividend distributions	69,582	140,840
Property interest distributions	422,765	399,767
Franked stock dividends	486,455	440,459
Unfranked stock dividends	48,650	18,346
Underwriting commission	4,922	458
Bank interest	3,963	279
	<u>10,698,102</u>	<u>10,254,920</u>

5. Expenses

	12/12/18	12/12/17
	£	£
Payable to the Manager, associates of the Manager and agents of either of them:		
Fund management fees	<u>1,979,466</u>	<u>2,548,781</u>
Total expenses	<u>1,979,466</u>	<u>2,548,781</u>

Audit fees of £8,900 plus VAT of £1,780 have been borne by the Manager out of its fund management fee. In the prior year, the total audit fee was £8,120 plus VAT of £1,624.

Notes to the Financial Statements continued

6. Taxation

(a) Analysis of taxation charge in year

	12/12/18	12/12/17
	£	£
Overseas tax	18,145	16,238
Current tax [note 6(b)]	18,145	16,238
Deferred tax [note 6(c)]	—	—
Total taxation	<u>18,145</u>	<u>16,238</u>

(b) Factors affecting taxation charge for the year

The current tax charge excludes capital gains and losses for the reason that Authorised Unit Trusts are not subject to Corporation Tax on these items. Current tax differs from taxation assessed on net revenue before taxation as follows:

Net revenue before taxation	<u>8,718,454</u>	<u>7,705,963</u>
Net revenue before taxation multiplied by the applicable rate of Corporation tax of 20% (2017: 20%)	1,743,691	1,541,193
Effects of:		
Overseas tax	18,145	16,238
Revenue not subject to taxation	(2,049,199)	(1,962,922)
Excess management expenses not utilised	<u>305,508</u>	<u>421,729</u>
Current tax	<u>18,145</u>	<u>16,238</u>

(c) Provision for deferred tax

There is no deferred tax provision in the current or preceding year. At the year end there is a potential deferred tax asset of £4,466,621 (12 December 2017: £4,161,113) due to surplus management expenses.

It is unlikely the Trust will generate sufficient taxable profits in the future to utilise this amount and therefore no deferred tax asset has been recognised (12 December 2017: same).

Notes to the Financial Statements continued

7. Distributions

The distributions take account of revenue received on the creation of units and revenue deducted on the cancellation of units and comprise:

	12/12/18	12/12/17
	£	£
Interim distribution	5,050,140	4,338,795
Final distribution	<u>3,540,271</u>	<u>3,321,119</u>
	8,590,411	7,659,914
Add: Revenue deducted on cancellation of units	271,822	118,070
Less: Revenue received on creation of units	<u>(98,219)</u>	<u>(84,704)</u>
Distributions for the year	8,764,014	7,693,280
Interest payable and similar charges		
Bank overdraft interest	182	176
	<u>8,764,196</u>	<u>7,693,456</u>

The differences between the net revenue after taxation and the distributions for the year are as follows:

	12/12/18	12/12/17
	£	£
Net revenue after taxation for the year	8,700,309	7,689,725
Equalisation effect of conversions	<u>63,705</u>	<u>3,555</u>
Distributions for the year	8,764,014	7,693,280

8. Debtors

	12/12/18	12/12/17
	£	£
Accrued revenue	598,052	943,325
Amounts receivable for creation of units	82,625	79,945
Overseas tax recoverable	17,662	1,944
PID tax recoverable	—	3,160
Sales awaiting settlement	<u>200,661</u>	<u>120,249</u>
	<u>899,000</u>	<u>1,148,623</u>

Notes to the Financial Statements continued

9. Net uninvested cash

	12/12/18	12/12/17
	£	£
Cash and bank balances	<u>3,117,047</u>	<u>2,779,812</u>
Net uninvested cash	<u>3,117,047</u>	<u>2,779,812</u>

10. Other creditors

	12/12/18	12/12/17
	£	£
Accrued expenses	168,765	271,329
Amounts payable for cancellation of units	<u>428,485</u>	<u>239,650</u>
	<u>597,250</u>	<u>510,979</u>

11. Contingent liabilities and outstanding commitments

Contingent liabilities and outstanding commitments at the balance sheet date were:

	12/12/18	12/12/17
	£	£
Commitments on rights issues	<u>117,129</u>	<u>—</u>
Total	<u>117,129</u>	<u>—</u>

Notes to the Financial Statements continued

12. Financial Instruments and Associated Risks

The investments of a Trust in financial securities and derivatives are subject to normal market fluctuations and other risks inherent in investing in such instruments. Legal & General (Unit Trust Managers) Limited (UTM) is the Authorised Fund Manager and has responsibility for ensuring appropriate risk management processes are implemented for each Unit Trust.

The UTM Board has delegated the risk oversight function to the Fund Manager Oversight Committee (FMOC), a committee of the Legal & General Investment Management (Holdings) Limited (LGIMH) Board that meets monthly. The primary objective of the FMOC is to ensure proper oversight of the investment management activities and associated services performed by LGIM, its delegates and other Fund Managers, under the Investment Management Agreement (IMA), on behalf of UTM in its capacity as Authorised Fund Manager. The committee consists of senior members of LGIMH and members of the UTM Board. Other senior staff members are also in attendance, as required by the agenda.

Each Trust has Investment Guidelines, an Investment Objective and Investment Restrictions, against which the fund manager will operate. These are set out in Schedule 1 of the IMA between LGIM and UTM. The Schedule is maintained by each fund manager, reviewed by the LGIM Operational Risk and Compliance Teams and approved senior members of LGIMH on behalf of the UTM board. The Schedule provides the detail needed to determine the risk profile for each fund. Fund managers are not permitted to invest into any new instruments without first gaining approval from UTM.

The Investment Objective and Policy of this Trust is detailed on page 2.

(a) Market Risk arising from other price risk

Market Risk arises mainly from uncertainty about future prices. It represents the potential loss the Trust may suffer through holding market positions in the face of market movements.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting similar instruments traded in the market.

The assets held by the Trust can be seen in the Portfolio Statement starting on page 9. Movements in the prices of these investments result in movements in the performance of the Trust. The Manager adheres to the investment guidelines established in the Trust Deed, the Prospectus, the COLL and the Trust's IOG, and in this way, monitors and controls the exposure to risk from any type of security, sector or issuer.

At 12 December 2018, if the price of the investments held by the Trust increased or decreased by 5%, with all other variables remaining constant, then the net assets attributable to unitholders would increase or decrease by approximately £13,086,211 (12 December 2017: £15,871,835).

Notes to the Financial Statements continued

12. Financial Instruments and Associated Risks continued

(b) Interest Rate Risk

Interest Rate Risk is the risk of movements in the value of financial instruments as a result of fluctuations in interest rates.

The Trust's only interest bearing financial instruments were its bank balances and overdraft facilities as disclosed in note 9. Cash is deposited and overdraft facilities utilised on normal commercial terms and earn or bear interest based on LIBOR or its overseas equivalent.

In the event of a change in interest rates, there would be no material impact upon the assets of the Trust.

(c) Foreign Currency Risk

Foreign Currency Risk is the risk of movements in the value of financial instruments as a result of fluctuations in exchange rates. This risk may be managed by the use of forward currency contracts or currency futures as necessary.

At the year end the Trust had no significant exposures to currencies other than Sterling (12 December 2017: same).

Forward currency contracts were utilised during the current year but not the preceding year.

(d) Credit Risk

Credit Risk is the risk of suffering financial loss as a result of a counterparty to a financial transaction being unable to fulfil their financial obligations as they fall due.

This risk is managed by appraising the credit profile of financial instruments and issuers in line with the Trust's investment objective and policy.

(e) Liquidity Risk

Liquidity Risk relates to the capacity to meet liabilities as they fall due. The primary source of this risk to the Trust is the liability to Unitholders for any cancellation of units.

This risk is minimised by holding a large proportion of readily realisable assets, cash balances and via access to overdraft facilities.

Notes to the Financial Statements continued

12. Financial Instruments and Associated Risks continued

(f) Fair Value

The fair value of a financial instrument is the amount for which it could be exchanged between knowledgeable, willing parties in an arm's length transaction. There is no material difference between the value of the financial assets and liabilities, as shown in the financial statements, and their fair value.

The Statement of Recommended Practice for Financial Statements of UK Authorised Funds issued by the Investment Management Association in May 2014 requires the classification of the Trust's financial instruments held at the year end into a 3 tiered fair value hierarchy. The 3 tiers of the hierarchy and the classification of the Trust's financial instruments as at the balance sheet date were:

12/12/18	Assets	Liabilities
Basis of Valuation	£	£
Level 1 - Quoted Prices	261,724,224	—
Level 2 - Observable Market Data	—	—
Level 3 - Unobservable Data	—	—
Total	261,724,224	—

12/12/17	Assets	Liabilities
Basis of Valuation	£	£
Level 1 - Quoted Prices	317,436,704	—
Level 2 - Observable Market Data	—	—
Level 3 - Unobservable Data	—	—
Total	317,436,704	—

Level 1

The unadjusted quoted price in an active market for assets or liabilities that the entity can access at the measurement date.

Level 2

Valuation techniques using observable inputs other than quoted prices within Level 1.

Level 3

Valuation techniques using unobservable inputs.

Notes to the Financial Statements continued

13. Portfolio transaction costs

12/12/18	Value	Commissions	Taxes		Total	
Purchases	£'000	£'000	%	£'000	%	£'000
Derivatives	10	—	—	—	—	10
Equities	48,271	9	0.02	211	0.44	48,491
Total	48,281	9	0.02	211	0.44	48,501

12/12/18	Value	Commissions	Taxes		Total	
Sales	£'000	£'000	%	£'000	%	£'000
Equities	73,155	(15)	0.02	—	—	73,140
Total	73,155	(15)	0.02	—	—	73,140

Commissions and taxes as % of average net assets

Commissions 0.01%

Taxes 0.07%

12/12/17	Value	Commissions	Taxes		Total	
Purchases	£'000	£'000	%	£'000	%	£'000
Equities	32,764	11	0.03	154	0.47	32,929
Total	32,764	11	0.03	154	0.47	32,929

12/12/17	Value	Commissions	Taxes		Total	
Sales	£'000	£'000	%	£'000	%	£'000
Equities	49,678	(15)	0.03	(1)	—	49,662
Total	49,678	(15)	0.03	(1)	—	49,662

Commissions and taxes as % of average net assets

Commissions 0.01%

Taxes 0.05%

Transaction costs consist of expenses incurred in the process of the purchase and sales of securities above the cost of the securities.

The average portfolio dealing spread, including the effect of foreign exchange, as at the balance sheet date was 0.09% (12 December 2017: 0.07%).

Notes to the Financial Statements continued

14. Unit classes

A list of unit classes in issue and the fund management fee on each unit class can be found on page 43. The net asset value per unit of each unit class and the number of units in each class are given in the comparative tables on pages 36 to 41. The distributions per unit class are given in the distribution tables on pages 33 and 34. All classes have the same rights on winding up.

R-Class	Distribution	Accumulation
Opening Units	214,856,492	75,707,435
Units issued	11,162,453	2,797,237
Units cancelled	(29,772,850)	(3,570,130)
Units converted	(62,256,533)	(833,999)
Closing Units	133,989,562	74,100,543

F-Class	Distribution	Accumulation
Opening Units	177,729	258,700
Units issued	—	11,851
Units cancelled	—	(30,985)
Units converted	—	—
Closing Units	177,729	239,566

I-Class	Distribution	Accumulation
Opening Units	87,359,138	46,375,716
Units issued	4,899,255	5,900,326
Units cancelled	(31,712,085)	(4,464,699)
Units converted	488,153	38,219,839
Closing Units	61,034,461	86,031,182

15. Ultimate controlling party and related party transactions

The Manager is regarded as a related party to the Trust because it provides key management personnel services to the Trust. The ultimate controlling party of the Manager is Legal & General Group Plc. Subsidiaries of Legal & General Group Plc are also considered related parties to the Trust.

Legal & General (Unit Trust Managers) Limited acts as the principal on all the transactions of the units in the Trust. The aggregated monies received through creations or paid on cancellations are disclosed in the statement of change in net assets attributable to unitholders.

Equalisation amounts relating to creations and cancellations of units are shown within note 7. Fees received by the Authorised Fund Manager from the Trust plus any rebates paid by the Authorised Fund Manager to the Trust are shown within notes 3, 4 and 5 as applicable. Any outstanding fees, amounts outstanding on creations or cancellations of units in the Trust, or rebates receivable by the Trust from the Manager are shown within notes 8 and 10 as applicable.

At the year end, the Manager and its associates held 39.10% (36.94% as at 12 December 2017) of the Trust's units in issue.

Notes to the Financial Statements continued

16. Post balance sheet market movements

As at the close of business on the balance sheet date the Net Asset Value per I-Class distribution unit was 58.38p. The Net Asset Value per I-Class distribution unit for the Trust as at 12 noon on 30 January 2019 was 61.84p. This represents an increase of 5.93% from the year end value.

Distribution Tables

Distribution Tables for the year ended 12 December 2018

Group 1: units purchased prior to a distribution period.

Group 2: units purchased during a distribution period.

Equalisation is the average amount of revenue included in the purchase price of all Group 2 units and is refunded to the holders of these units as a return of capital. As capital it is not liable to Income Tax but must be deducted from the cost of units for Capital Gains Tax purposes.

Interim dividend distribution in pence per unit			Period	
			13/12/17	to 12/06/18
R-Class			Distribution	Distribution
Distribution Units			12/08/18	12/08/17
Group 1	Revenue	Equalisation	0.9883	0.7917
Group 2	0.7768	0.2115	0.9883	0.7917
R-Class			Distribution	Distribution
Accumulation Units			12/08/18	12/08/17
Group 1	Revenue	Equalisation	1.4546	1.1404
Group 2	1.0052	0.4494	1.4546	1.1404
F-Class			Distribution	Distribution
Distribution Units			12/08/18	12/08/17
Group 1	Revenue	Equalisation	1.1584	1.0283
Group 2	—	1.1584	1.1584	1.0283
F-Class			Distribution	Distribution
Accumulation Units			12/08/18	12/08/17
Group 1	Revenue	Equalisation	1.7641	1.5238
Group 2	1.0991	0.6650	1.7641	1.5238
I-Class			Distribution	Distribution
Distribution Units			12/08/18	12/08/17
Group 1	Revenue	Equalisation	1.1993	1.0680
Group 2	0.8344	0.3649	1.1993	1.0680
I-Class			Distribution	Distribution
Accumulation Units			12/08/18	12/08/17
Group 1	Revenue	Equalisation	1.9404	1.6789
Group 2	1.3001	0.6403	1.9404	1.6789

Distribution Tables continued

Final dividend distribution in pence per unit			Period	
			13/06/18	to 12/12/18
R-Class			Distribution	Distribution
Distribution Units			12/02/19	12/02/18
	Revenue	Equalisation		
Group 1	0.7398	—	0.7398	0.6117
Group 2	0.5624	0.1774	0.7398	0.6117
R-Class			Distribution	Distribution
Accumulation Units			12/02/19	12/02/18
	Revenue	Equalisation		
Group 1	1.1049	—	1.1049	0.8920
Group 2	0.5310	0.5739	1.1049	0.8920
F-Class			Distribution	Distribution
Distribution Units			12/02/19	12/02/18
	Revenue	Equalisation		
Group 1	0.8155	—	0.8155	0.7809
Group 2	—	0.8155	0.8155	0.7809
F-Class			Distribution	Distribution
Accumulation Units			12/02/19	12/02/18
	Revenue	Equalisation		
Group 1	1.2630	—	1.2630	1.1753
Group 2	0.4984	0.7646	1.2630	1.1753
I-Class			Distribution	Distribution
Distribution Units			12/02/19	12/02/18
	Revenue	Equalisation		
Group 1	0.8510	—	0.8510	0.8219
Group 2	0.4293	0.4217	0.8510	0.8219
I-Class			Distribution	Distribution
Accumulation Units			12/02/19	12/02/18
	Revenue	Equalisation		
Group 1	1.4021	—	1.4021	1.3132
Group 2	0.5997	0.8024	1.4021	1.3132

Trust Information

The Comparative Tables on pages 36 to 41 give the performance of each active share class in the Trust.

The 'Return after charges' disclosed in the Comparative Tables is calculated as the return after operating charges per unit divided by the opening net asset value per unit. It differs from the Trust's performance disclosed in the Manager's report, which is calculated based on the latest published price.

Portfolio transaction costs are incurred when investments are bought or sold by a fund in order to achieve the investment objective. These transaction costs affect an investor in different ways depending on whether they are joining, leaving or continuing with their investment in the Trust.

Direct transaction costs include broker commission and taxes. Broker commission includes the fee paid to a broker to execute the trades and research costs.

In addition, there are indirect portfolio transaction costs arising from the 'dealing spread' – the difference between the buying and selling prices of underlying investments in the portfolio. Unlike shares whereby broker commissions and stamp duty are paid by a fund on each transaction, other types of investments (such as bonds, money instruments, derivatives, collective investment schemes) do not have separately identifiable transaction costs; these costs form part of the dealing spread. Dealing spreads vary considerably depending on the transaction value and money market sentiment.

Trust Information continued

Comparative Tables

R-Class Distribution Units

Change in Net Asset Value per Unit

Accounting Year ending	12/12/18 (pence per unit)	12/12/17 (pence per unit)	12/12/16 (pence per unit)
Opening net asset value per unit	65.18	60.00	59.78
Return before operating charges*	(4.49)	7.25	2.20
Operating charges (calculated on average price)	(0.53)	(0.67)	(0.69)
Return after operating charges*	(5.02)	6.58	1.51
Distributions on income units	(1.73)	(1.40)	(1.29)
Closing net asset value per unit	58.43	65.18	60.00
* after direct transaction costs of:	0.05	0.04	0.06

Performance

Return after charges	(7.70)%	10.97%	2.52%
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Other Information

Closing net asset value (£)	78,295,510	140,053,019	132,721,704
Closing number of units	133,989,562	214,856,492	221,207,301
Operating charges [†]	0.81%	1.05%	1.15%
Direct transaction costs	0.08%	0.06%	0.10%

Prices

Highest unit price	70.07p	67.77p	63.56p
Lowest unit price	58.37p	59.87p	52.94p

[†] Operating charges, otherwise known as the OCF is the ratio of the Trust's total disclosable costs (excluding overdraft interest) to the average net assets of the Trust. The OCF is intended to provide a reliable figure which gives the most accurate measure of what it costs to invest in a Trust and is calculated based on the last period's figures.

Past performance is not a guide to future performance.

The price of units and any income from them may go down as well as up.

Trust Information continued

Comparative Tables continued

R-Class Accumulation Units

Change in Net Asset Value per Unit

Accounting Year ending	12/12/18 (pence per unit)	12/12/17 (pence per unit)	12/12/16 (pence per unit)
Opening net asset value per unit	95.94	86.45	84.28
Return before operating charges*	(6.80)	10.47	3.14
Operating charges (calculated on average price)	(0.78)	(0.98)	(0.97)
Return after operating charges*	(7.58)	9.49	2.17
Distributions	(2.56)	(2.03)	(1.83)
Retained distributions on accumulation units	2.56	2.03	1.83
Closing net asset value per unit	88.36	95.94	86.45
* after direct transaction costs of:	0.07	0.05	0.08

Performance

Return after charges	(7.90)%	10.98%	2.57%
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Other Information

Closing net asset value (£)	65,478,756	72,637,471	69,935,470
Closing number of units	74,100,543	75,707,435	80,900,260
Operating charges†	0.81%	1.05%	1.15%
Direct transaction costs	0.08%	0.06%	0.10%

Prices

Highest unit price	103.10p	97.64p	90.80p
Lowest unit price	87.15p	86.25p	75.44p

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The price of units and any income from them may go down as well as up.

Trust Information continued

Comparative Tables continued

F-Class Distribution Units

Change in Net Asset Value per Unit

Accounting Year ending	12/12/18 (pence per unit)	12/12/17 (pence per unit)	12/12/16 (pence per unit)
Opening net asset value per unit	65.56	60.34	60.13
Return before operating charges*	(4.53)	7.32	2.20
Operating charges (calculated on average price)	(0.29)	(0.29)	(0.27)
Return after operating charges*	(4.82)	7.03	1.93
Distributions on income units	(1.97)	(1.81)	(1.72)
Closing net asset value per unit	58.77	65.56	60.34
* after direct transaction costs of:	0.05	0.04	0.06

Performance

Return after charges	(7.35)%	11.65%	3.21%
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Other Information

Closing net asset value (£)	104,448	116,514	96,470
Closing number of units	177,729	177,729	159,875
Operating charges†	0.45%	0.45%	0.45%
Direct transaction costs	0.08%	0.06%	0.10%

Prices

Highest unit price	70.62p	68.38p	64.07p
Lowest unit price	58.77p	60.21p	53.25p

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Past performance is not a guide to future performance.

The price of units and any income from them may go down as well as up.

Trust Information continued

Comparative Tables continued

F-Class Accumulation Units

Change in Net Asset Value per Unit

Accounting Year ending	12/12/18 (pence per unit)	12/12/17 (pence per unit)	12/12/16 (pence per unit)
Opening net asset value per unit	99.84	89.42	86.58
Return before operating charges*	(7.11)	10.86	3.23
Operating charges (calculated on average price)	(0.45)	(0.44)	(0.39)
Return after operating charges*	(7.56)	10.42	2.84
Distributions	(3.03)	(2.70)	(2.50)
Retained distributions on accumulation units	3.03	2.70	2.50
Closing net asset value per unit	92.28	99.84	89.42
* after direct transaction costs of:	0.08	0.06	0.08

Performance

Return after charges	(7.57)%	11.65%	3.28%
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Other Information

Closing net asset value (£)	221,068	258,278	148,222
Closing number of units	239,566	258,700	165,765
Operating charges†	0.45%	0.45%	0.45%
Direct transaction costs	0.08%	0.06%	0.10%

Prices

Highest unit price	107.50p	101.30p	93.80p
Lowest unit price	91.01p	89.22p	77.58p

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Past performance is not a guide to future performance.

The price of units and any income from them may go down as well as up.

Trust Information continued

Comparative Tables continued

I-Class Distribution Units

Change in Net Asset Value per Unit

Accounting Year ending	12/12/18 (pence per unit)	12/12/17 (pence per unit)	12/12/16 (pence per unit)
Opening net asset value per unit	65.13	59.94	59.73
Return before operating charges*	(4.50)	7.28	2.20
Operating charges (calculated on average price)	(0.20)	(0.20)	(0.19)
Return after operating charges*	(4.70)	7.08	2.01
Distributions on income units	(2.05)	(1.89)	(1.80)
Closing net asset value per unit	58.38	65.13	59.94
* after direct transaction costs of:	0.05	0.04	0.06

Performance

Return after charges	(7.22)%	11.81%	3.37%
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Other Information

Closing net asset value (£)	35,631,732	56,892,883	54,432,055
Closing number of units	61,034,461	87,359,138	90,805,171
Operating charges†	0.31%	0.31%	0.31%
Direct transaction costs	0.08%	0.06%	0.10%

Prices

Highest unit price	70.20p	67.97p	63.67p
Lowest unit price	58.42p	59.81p	52.90p

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The price of units and any income from them may go down as well as up.

Trust Information continued

Comparative Tables continued

I-Class Accumulation Units

Change in Net Asset Value per Unit

Accounting Year ending	12/12/18 (pence per unit)	12/12/17 (pence per unit)	12/12/16 (pence per unit)
Opening net asset value per unit	105.36	94.23	91.11
Return before operating charges*	(7.51)	11.45	3.41
Operating charges (calculated on average price)	(0.33)	(0.32)	(0.29)
Return after operating charges*	(7.84)	11.13	3.12
Distributions	(3.34)	(2.99)	(2.76)
Retained distributions on accumulation units	3.34	2.99	2.76
Closing net asset value per unit	97.52	105.36	94.23
* after direct transaction costs of:	0.08	0.06	0.09

Performance

Return after charges	(7.44)%	11.81%	3.43%
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Other Information

Closing net asset value (£)	83,899,252	48,862,287	52,970,786
Closing number of units	86,031,182	46,375,716	56,213,320
Operating charges†	0.31%	0.31%	0.31%
Direct transaction costs	0.08%	0.06%	0.10%

Prices

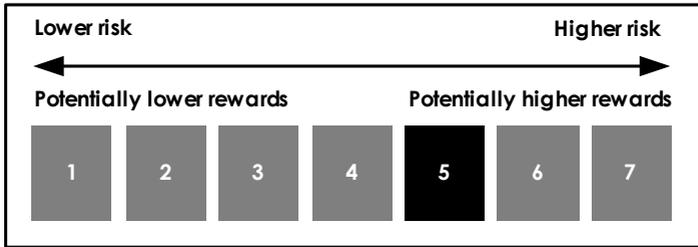
Highest unit price	113.50p	106.80p	98.82p
Lowest unit price	96.18p	94.02p	81.66p

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Past performance is not a guide to future performance.

The price of units and any income from them may go down as well as up.

Risk and Reward Profile (unaudited)



- This risk and reward profile is based on historical data which may not be a reliable indication of the Trust's risk and reward category in the future.
- The category number highlighted above reflects the rate at which the Trust's unit price has moved up and down in the past. If the Trust has less than five years' track record, the number also reflects the rate at which the Index the Trust tracks has moved up and down in the past. Higher numbers mean the potential reward could be greater, but this comes with increased risk of losing money.
- The Trust is in category five because it invests in company shares which are sensitive to variations in the stock market. The value of company shares can change substantially over short periods of time. Company shares are generally considered to be higher risk investments than bonds or cash.
- The Trust's category is not guaranteed to remain the same and may change over time.
- Even a trust in the lowest category is not a risk free investment.

General Information (unaudited)

Constitution

Launch date:	5 July 1999
Period end dates for distributions:	12 June, 12 December
Distribution dates:	12 August, 12 February
Minimum initial lump sum investment:	R-Class £100 F-Class* £500 I-Class £1,000,000
Minimum monthly contributions:	R-Class £20 F-Class* £50 I-Class N/A
Valuation point:	12 noon
Fund management fees:	R-Class Annual 0.69% [†] (0.95% Prior to 1 June 2018) F-Class* Annual 0.45% I-Class Annual 0.31%
Initial charge:	Nil for all existing unit classes

* F-Class units are only available to:

- (i) investors who have received advice from authorised intermediaries, platforms or other distributors in relation to their investment in units in the Trust; and
- (ii) distributors who the Manager reasonably considers will adequately bear the costs of marketing to and acquiring investors at no or limited cost to the Manager, and to whom the Manager has confirmed that such distributor or investor meets the criteria for investment in such units.

† With effect from 1 June 2018 – See Significant Changes on page 46.

Pricing and Dealing

The prices are published on the internet at www.legalandgeneral.com/investments/fund-information/daily-fund-prices immediately after they become available.

Dealing in units takes place on a forward pricing basis, from 8:30am to 6:00pm, Monday to Friday.

Buying and Selling Units

Units may be bought on any business day from the Manager or through a financial adviser by completing an application form or on the internet at www.legalandgeneral.com. Units may normally be sold back to the Manager on any business day at the bid price calculated at the following valuation point.

ISA Status

This Trust may be held within this tax advantaged savings arrangement. The favourable tax treatment of ISAs may not be maintained. For full written information, please contact your usual financial adviser or ring 0370 050 0955.

Call charges will vary. We may record and monitor calls.

General Information (unaudited) continued

Prospectus and Manager's Reports

The Manager will send to all persons on the Unitholder Register annual and interim short form reports.

Copies of the Prospectus and the most recent annual or interim reports are available free of charge by telephoning 0370 050 0955 or by writing to the Manager.

Do you have difficulty in reading information in print because of a disability? If so, we can help. We are able to produce information for our clients in large print and braille. If you would like to discuss your particular requirements, please contact us on 0370 050 0955.

Call charges will vary. We may record and monitor calls.

Dual Pricing Arrangement

The Manager's fixed dual pricing arrangement has a set spread to account for the costs of transacting in a particular Trust. Where the Manager operates a box through which unit subscriptions and unit redemptions are netted into a single trade instruction to the Trustee, the netting reduces the actual transaction costs and this generates a revenue to the Manager. The revenue generated from this activity is calculated on a monthly basis and returned to the Trust in the form of a payment from the Manager. This provides an enhanced return to the Trust, though the size of any return will be dependent on the size of subscriptions and redemptions.

General Information (unaudited) continued

Remuneration Disclosure

In accordance with the Undertakings for collective investment in transferable securities (UCITs) Directive, often referred to as the UCITs V Directive, the Legal & General Ethical Trust, as a UCITs Scheme, is required to disclose the aggregate remuneration paid by the UCITs Manager and by the UCITs Scheme to Identified Staff, together with the number of beneficiaries, and, where relevant, performance fees paid by the UCITs Scheme. The aggregate amount of remuneration must be broken down by category of employees or other staff members and be split into fixed and variable remuneration.

The following provides information on the remuneration of persons whose professional activities have a material impact on the management company and the funds managed by it as at 31 December 2017. At the time of publishing, figures as at 31 December 2018 were not yet available, we shall publish this data in the Scheme's interim report, due to be published in June 2019:

Controlled Functions

Headcount	Fixed Remuneration (£,000)	Variable Remuneration (£,000)	Remuneration related to this Trust (Pro-rated) (£'000)
32	6,726	11,997	132

Material Risk Takers

Headcount	Fixed Remuneration (£,000)	Variable Remuneration (£,000)	Remuneration related to this Trust (Pro-rated) (£'000)
22	2,281	3,000	5

Controlled Functions

As at 31 December 2017, Legal & General Unit Trust Managers Limited (UTM) engaged the services of six employees of Legal & General Investment Management (Holdings) Limited (LGIMH), plus a further two employees of Legal & General Resources (LGR) to act as Directors. In addition, there was one non-executive Director. UTM also engaged the services of a further twenty LGIMH employees and a further three L&G Resources (LGR) employees to act in a variety of Controlled Functions, including Chief Compliance Officer, Money Laundering Reporting Officer, Client Asset Oversight, Systems and Controls Functions, Significant Management Functions and Customer Functions. These employees were also engaged by other companies in the L&G Group. The aggregate remuneration received by these individuals, for all their services across the L&G Group, is disclosed in the table above. We have prorated the remuneration figures by the Net Asset Value of the UCITs Funds as a percentage of the total assets under management of UTM.

General Information (unaudited) continued

Material Risk Takers

As at the 31 December 2017, UTM engaged the services of Legal & General Investment Management's Index Fund Management team, which consists of 22 investment professionals located in our London Office. The team includes a variety of Fund Managers, Analysts and Support Staff, with the Fund Managers empowered to take discretionary investment management decisions on behalf of the Trust. The team is also engaged in managing other Legal & General UTM Funds/Schemes and is also engaged by other companies in the L&G Group. The aggregate remuneration received by the members of the team, for all their services across the L&G Group, is disclosed in the table above. We have prorated the remuneration figures by the Net Asset Value of the UCITS Funds as a percentage of the total assets under management of the Legal & General Investment Management's Index Fund Management team.

Significant Changes

Change in Fund Management Fee (FMF)

With effect from 1 June 2018, the FMF for R-Class units have been reduced from 0.95% to 0.69%.

Change of Auditor

With effect from 28 April 2018, PricewaterhouseCoopers LLP ceased to be Independent Auditors of the Trust and KPMG LLP have been appointed. The change of Auditor has no impact on the way the Trust is operated.

General Data Protection Regulation (GDPR)

Legal & General takes your privacy very seriously. Under data protection legislation, we have classified ourselves as a 'data controller'. This means that we are subject to certain obligations relating to how we process personal data. These obligations include, without limitation, providing individuals with certain information regarding how we process their personal data.

We will use the personal data you have provided to us in connection with an investment in units of Legal & General Ethical Trust, including your name, age, contact details, bank account details, transactions and the invested amount, and any information regarding the dealing in units in accordance with all applicable data protection laws and our Privacy Policy which is available from 25 May 2018 at www.lgim.com/UTMprivacy (or available upon request). Our Privacy Policy sets out, amongst other things, the purpose or purposes for which your personal data is collected and intended to be processed and also contains any other information prescribed by data protection legislation.

General Information (unaudited) continued

Authorised Fund Manager

Legal & General (Unit Trust Managers) Limited
Registered in England and Wales No. 01009418
Registered office:
One Coleman Street,
London EC2R 5AA
Telephone: 0370 050 3350
Authorised and regulated by the Financial Conduct Authority

Directors of the Manager

R. M. Bartley
A. J. C. Craven
S. Hynes
H. Morrissey
H. Solomon
S. D. Thomas (resigned 17 October 2018)
L. W. Toms
A. R. Toutouchi*
M. J. Zinkula

*Non-executive Director

Secretary

J. McCarthy

Registrar

Legal & General (Unit Trust Managers) Limited
P.O. Box 6080,
Wolverhampton WV1 9RB
Authorised and regulated by the Financial Conduct Authority

Dealing: 0370 050 0956
Enquiries: 0370 050 0955
Registration: 0370 050 0955

Call charges will vary. We may record and monitor calls.

Trustee

Northern Trust Global Services SE
Trustee and Depository Services
50 Bank Street,
Canary Wharf,
London E14 5NT

Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority

Independent Auditors

KPMG LLP
15 Canada Square,
London E14 5GL

Investment Adviser

Legal & General Investment Management Limited
One Coleman Street,
London EC2R 5AA
Authorised and regulated by the Financial Conduct Authority

**Authorised and regulated by the
Financial Conduct Authority**

Legal & General
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