

Legal & General Ethical Trust
Annual Manager's Report
for the year ended
12 December 2017

**EVERY
DAY
MATTERS.®**



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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.

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 will be considered eligible unless they are involved in the following activities:

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.

Manager's Investment Report

During the year under review, the bid price of the Trust's R-Class distribution units valued at midday rose by 8.73%. 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) rose by 9.52%. Similarly, the broader based FTSE All-Share Index (excluding Investment Trusts) rose by 9.56% (Source: Bloomberg). Using close of business prices, in line with the Index movements, the Trust rose by 9.90%.

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

In the aftermath of the UK vote to leave the European Union in the June 2016 referendum, Sterling fell to a 31-year low against the US Dollar. UK markets recorded solid gains over the review year, with an improving global economic outlook, and supported by companies buying back their own shares. Major sectors such as Leisure Goods, Electronic & Electrical Equipment and Personal Goods showed the largest positive returns during the review year, whilst Oil Equipment, Services & Distribution, Fixed Line Telecommunications and Electricity were the worst performing sectors. Energy stocks weakened before retrieving some lost ground as the reporting year ended, rallying in line with the oil price in recent months on evidence that a supply squeeze from OPEC is now finally impacting on inventories. In the UK, the domestically focused FTSE 250 Index (+13.79%) and FTSE SmallCap Index (+14.86%) outperformed the more internationally focused FTSE 100 Index (+8.85%).

Economic indicators suggested the UK economy had weathered the post-referendum volatility well and the UK economic indicators remained broadly positive. However, political uncertainty has heightened over the last 12 months, particularly as the

Manager's Investment Report continued

June general election resulted in a hung parliament and Brexit negotiations began. Inflation has been steadily increasing since the EU referendum, pushing up to 3.1% in November. However, the weakness in wage growth intensified the debate on whether the Bank of England should hike interest rates or leave them unchanged.

Trust Activity

The Trust's selection process excludes the Tobacco and Military industries, while the Oil & Gas Producers, Banks, Mining, Pharmaceuticals & Biotechnology and Beverages sectors are markedly underweight. Such exclusions are compensated for by an increased presence in Life Insurance, Mobile Telecommunications and Financial 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 Index (excluding Investment Trusts) 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 review year. At the quarterly review in December 2016, there were four additions and four deletions. ConvaTec Group and NewRiver REIT were new stocks added to the FTSE All-Share universe, whilst Nostrum Oil & Gas and Ferrexpo were promotions from the FTSE SmallCap Index; all of these stocks were subsequently assessed as eligible by EIRIS with the exception of ConvaTec Group that was deemed as unacceptable stock. Additions replaced NCC Group, Laird, DFS Furniture and Countrywide, which were all demoted to the FTSE SmallCap Index.

At the quarterly review in March 2017, there were two additions and three deletions. Sanne Group and Northgate were promotions from the FTSE SmallCap Index; both of these stocks were subsequently assessed as eligible by EIRIS. These companies replaced International Personal Finance, N Brown Group and CMC Markets which were all demoted to the FTSE SmallCap Index.

At the annual review in June 2017, there were five additions and five deletions. Melrose Industries, FDM Group and TBC Bank Group were new additions to the FTSE All-Share universe and were subsequently assessed as eligible by EIRIS. Sirius Minerals and Coats Group were added to the universe, but not to the EIRIS acceptable list. These companies replaced Keller, Debenhams, Allied Minds, AO World and SVG Capital, which were all demoted to the FTSE SmallCap Index.

At the quarterly review in September 2017, there were two additions and three deletions. 888 was a new addition to the FTSE All-Share universe, but was assessed as unacceptable for inclusion by EIRIS. Alfa Financial Software was a new addition and subsequently assessed as eligible by EIRIS. Northgate, Petra Diamonds and Carillion were demoted to the FTSE SmallCap Index.

There was a significant cross-border merger and acquisition activity that impacted the Trust outside the Index reviews as Henderson Group was deleted in May, following its acquisition of Janus (US). The new company Janus Henderson Global Investors was listed in the US and Australia, with FTSE assigning US nationality and was replaced by Stobart Group which was promoted from the FTSE SmallCap Index. All stock deals included; Standard Life PLC acquisition of Aberdeen Asset Management and Kennedy Wilson (US) acquisition of the residual stake in Kennedy Wilson Europe Real Estate. Shawbrook Group was taken over by Marlin Bidco for cash. Equiniti

Manager's Investment Report continued

Group and Renewi were promoted from the FTSE Small Cap Index as a result of the above merger activity. Jimmy Choo was promoted from the FTSE Small Cap Index and subsequently deleted after being acquired by Michael Kors in an all cash deal. Following a £6.8 billion takeover of Hewlett Packard's Software business, Micro Focus also substantially increased its weight in the Index as it became the largest technology company in the Index.

Outside Index reviews, the free float was increased as a result of secondary placings for Ferrexpo and Ibstock. Index weight increased as a result of primary placings for LondonMetric Property, DS Smith, Metro Bank. Companies raising capital via rights issues included: RPC Group, Segro, Tullow Oil and Equiniti Group.

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

Outlook

Prime Minister Theresa May triggered Article 50 allowing the two-year window for official negotiations on Brexit to start. A 'hard Brexit' would imply giving up full access to the single market, with Britain having full control over its borders, making new trade deals and applying laws within its own territory. In LGIM's view, such a scenario could be negative for Sterling, but we only attribute a relatively low probability to this outcome. Subsequently, signs that the Brexit negotiations are yielding little progress and a further round of subdued UK economic data reinforced the suggestion that businesses and individuals are likely to adopt a more cautious approach.

Given Brexit uncertainties, most market participants anticipated that the Bank of England would keep rates on hold for a long time, but following the latest stronger inflation data, the Monetary Policy Committee adopted a more hawkish tilt indicating that some withdrawal of monetary stimulus was likely to be appropriate over the coming months. Lower trend growth and a weaker Pound mean that if the Bank of England doesn't hike rates, inflation could remain above target. But if it raises rates too fast, the economy could be hurt should downside risks materialise. As a result, the Bank of England increased interest rates by 0.25% to 0.5% on 2nd November.

The Bank of England was also keen to stress that inflation would not return to target unless interest rates were hiked further. They broadly agree with market expectations of another couple of hikes in the next three years. This is consistent with our own expectation of slow rate hikes.

In the Autumn budget, Chancellor Philip Hammond appeared to gain some wiggle room for loosening the purse strings with tax revenues being better than expected and some shuffling of the government balance sheet. But that was tempered by the downgrade to the growth outlook. Overall it was largely in line with what was already expected, the fiscal giveaway probably slightly bigger. The headline grabber was clearly the changes to stamp duty for first time buyers on properties up to £300k, which is expected to support a currently slowing housing market.

Given this backdrop of uncertainty the Trust remains well positioned to capture the performance of the Index.

Legal & General Investment Management Limited
(Investment Adviser)
3 January 2018

Authorised Status

Authorised Status

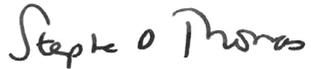
This Trust is an Authorised Unit Trust Scheme as defined in section 243 of the Financial Services and Markets Act 2000 and is a UCITS Retail Scheme within the meaning of the FCA Collective Investment Schemes sourcebook.

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)



S. D. Thomas
(Director)

Legal & General (Unit Trust Managers) Limited
31 January 2018

Statement of Responsibilities

Statement of the Manager's Responsibilities

The Manager of the Trust is required by the FCA Collective Investment Schemes sourcebook (COLL) to prepare financial statements for each accounting period which give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the net revenue and the net capital gains or losses on the Scheme property for the accounting period, and the financial position of the Trust at the end of that period. In preparing these financial statements, the Manager is required to:

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

The Manager is also required to manage the Trust in accordance with the Trust Deed, the Prospectus and the COLL, maintain proper accounting records to enable them to ensure that the financial statements comply with the Statement of Recommended Practice for UK Authorised Funds issued by The Investment Association in May 2014 and the COLL and take in these respects reasonable steps for the prevention and detection of fraud and other irregularities.

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 2017

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 Limited
UK Trustee and Depositary Services
31 January 2018

Portfolio Statement

Portfolio Statement as at 12 December 2017

All investments are in ordinary shares unless otherwise stated. The percentages in brackets show the equivalent holdings at 12 December 2016.

Holding/ Nominal Value	Investment	Market value £	% of Net Assets
	Oil & Gas Producers — 0.44% (0.51%)		
194,669	Cairn Energy	432,749	0.14
23,042	Nostrum Oil & Gas	74,564	0.02
456,735	Tullow Oil	897,484	0.28
		1,404,797	0.44
	Oil Equipment, Services & Distribution — 0.07% (0.09%)		
42,215	Hunting	229,861	0.07
	Chemicals — 0.95% (0.97%)		
63,108	Johnson Matthey	1,928,580	0.60
90,078	Synthomer	422,106	0.13
27,044	Victrex	686,377	0.22
		3,037,063	0.95
	Forestry & Paper — 0.66% (0.67%)		
121,918	Mondi	2,101,866	0.66
	Industrial Metals & Mining — 0.23% (0.15%)		
164,248	Evraz	498,329	0.16
93,049	Ferrexpo	239,601	0.07
		737,930	0.23
	Mining — 4.91% (2.01%)		
50,702	Acacia Mining	86,041	0.03
113,089	Antofagasta	1,025,152	0.32
693,195	BHP Billiton	9,482,907	2.97
358,019	Centamin	501,227	0.16
59,469	Fresnillo	762,987	0.24
81,000	Hochschild Mining	193,266	0.06
76,344	KAZ Minerals	576,015	0.18
85,642	Polymetal International	729,242	0.23
30,961	Randgold Resources	2,102,252	0.66
27,564	Vedanta Resources	183,990	0.06
		15,643,079	4.91
	Construction & Materials — 2.85% (2.78%)		
278,161	CRH	7,271,129	2.28
129,035	Ibstock	314,716	0.10
634,531	Melrose Industries	1,281,118	0.40
58,017	Polypipe Group	217,158	0.07
		9,084,121	2.85
	General Industrials — 1.47% (0.87%)		
320,415	DS Smith	1,672,566	0.53
138,707	RPC Group	1,239,347	0.39

Portfolio Statement continued

Holding/ Nominal Value	Investment	Market value £	% of Net Assets
	General Industrials — (cont.)		
75,301	Smurfit Kappa Group	1,757,526	0.55
		<hr/>	<hr/>
		4,669,439	1.47
	Electronic & Electrical Equipment — 0.98% (0.80%)		
125,411	Halma	1,585,195	0.50
11,153	Renishaw	556,535	0.17
39,848	Spectris	978,667	0.31
		<hr/>	<hr/>
		3,120,397	0.98
	Industrial Engineering — 1.76% (1.66%)		
62,884	Bodycote	537,344	0.17
24,727	Hill & Smith	325,902	0.10
89,790	IMI	1,125,068	0.35
291,292	Rotork	755,029	0.24
24,542	Spirax-Sarco Engineering	1,359,627	0.43
73,556	Weir Group	1,512,311	0.47
		<hr/>	<hr/>
		5,615,281	1.76
	Industrial Transportation — 0.65% (0.62%)		
7,712	Clarkson	217,864	0.07
14,313	James Fisher & Sons	228,292	0.07
299,867	Royal Mail	1,330,510	0.42
102,424	Stobart Group	282,383	0.09
		<hr/>	<hr/>
		2,059,049	0.65
	Support Services — 8.64% (8.17%)		
193,917	AA	304,256	0.10
111,571	Bunzl	2,298,363	0.72
217,006	Capita Group	1,019,060	0.32
36,321	Diploma	408,974	0.13
147,851	Electrocomponents	909,284	0.29
111,835	Equiniti Group	326,111	0.10
307,503	Experian	4,923,123	1.54
83,871	Ferguson	4,436,776	1.39
72,313	Grafton Group	549,940	0.17
447,157	Hays	787,443	0.25
88,096	HomeServe	703,006	0.22
197,559	Howden Joinery Group	902,647	0.28
53,691	Intertek Group	2,703,342	0.85
120,650	Mitie Group	236,595	0.08
103,375	Page Group	469,736	0.15
20,842	PayPoint	188,516	0.06
205,300	Renewi	204,581	0.06
609,352	Rentokil Initial	1,891,429	0.59
40,677	Sanne Group	299,586	0.09
82,404	Travis Perkins	1,301,159	0.41
623,993	Worldpay	2,678,802	0.84
		<hr/>	<hr/>
		27,542,729	8.64

Portfolio Statement continued

Holding/ Nominal Value	Investment	Market value £	% of Net Assets
	Beverages — 0.75% (0.58%)		
29,914	A.G. Barr	187,411	0.06
87,198	Britvic	695,404	0.22
64,643	Coca-Cola HBC	1,499,071	0.47
		2,381,886	0.75
	Food Producers — 0.73% (0.72%)		
16,705	Cranswick	516,351	0.16
42,703	Dairy Crest Group	237,215	0.07
230,949	Greencore Group	495,386	0.16
154,757	Tate & Lyle	1,073,240	0.34
		2,322,192	0.73
	Household Goods & Home Construction — 2.86% (2.29%)		
330,520	Barratt Developments	2,065,750	0.65
40,524	Bellway	1,443,870	0.45
42,293	Berkeley Group	1,722,171	0.54
44,495	Bovis Homes Group	503,683	0.16
79,744	Crest Nicholson	417,859	0.13
168,064	McCarthy & Stone	285,373	0.09
83,611	Redrow	527,585	0.17
1,072,144	Taylor Wimpey	2,152,865	0.67
		9,119,156	2.86
	Personal Goods — 1.01% (1.03%)		
141,854	Burberry Group	2,431,378	0.76
65,318	PZ Cussons	212,675	0.07
16,805	SuperGroup	321,144	0.10
9,881	Ted Baker	249,100	0.08
		3,214,297	1.01
	Health Care Equipment & Services — 1.97% (1.96%)		
130,272	Mediclinic International	772,513	0.24
26,785	NMC Health	771,944	0.24
289,942	Smith & Nephew	3,777,944	1.19
96,194	Spire Healthcare Group	234,328	0.07
83,023	UDG Healthcare	721,885	0.23
		6,278,614	1.97
	Pharmaceuticals & Biotechnology — 4.64% (5.70%)		
125,206	BTG	930,281	0.29
30,008	Dechra Pharmaceuticals	617,565	0.20
20,396	Genus	488,280	0.15
46,658	Hikma Pharmaceuticals	479,178	0.15
240,119	Indivior	909,090	0.29
296,040	Shire	11,137,025	3.49
229,407	Vectura Group	230,095	0.07
		14,791,514	4.64

Portfolio Statement continued

Holding/ Nominal Value	Investment	Market value £	% of Net Assets
	Food & Drug Retailers		
	— 2.93% (3.31%)		
32,636	Greggs	438,954	0.14
530,059	J Sainsbury	1,261,010	0.39
146,625	Ocado Group	512,015	0.16
2,714,290	Tesco	5,599,580	1.76
712,775	WM Morrison Supermarkets	1,528,903	0.48
		9,340,462	2.93
	General Retailers — 3.39% (4.03%)		
262,662	B&M European Value Retail	1,040,667	0.33
106,835	Card Factory	292,728	0.09
16,152	Dignity	258,916	0.08
333,693	Dixons Carphone	561,939	0.18
32,183	Dunelm Group	225,442	0.07
67,500	Halfords Group	234,562	0.07
115,948	JD Sports Fashion	371,034	0.12
189,872	Just Eat	1,497,141	0.47
727,284	Kingfisher	2,408,765	0.76
52,400	N Brown Group	142,266	0.04
46,343	Next	2,011,750	0.63
132,598	Pets at Home Group	219,317	0.07
371,312	Saga	475,279	0.15
76,448	Sports Direct International	301,282	0.09
35,365	WH Smith	773,786	0.24
		10,814,874	3.39
	Media — 4.62% (6.94%)		
129,990	Ascential	469,264	0.15
316,882	Auto Trader Group	1,080,884	0.34
112,301	Entertainment One	330,389	0.10
18,949	Euromoney Institutional Investor	220,377	0.07
276,389	Informa	2,061,862	0.65
1,254,680	ITV	2,053,911	0.64
176,388	Moneysupermarket.com Group	590,371	0.18
251,397	Pearson	1,862,852	0.58
30,436	Rightmove	1,292,617	0.41
346,704	Sky	3,467,040	1.09
131,806	UBM	979,978	0.31
91,750	ZPG	309,931	0.10
		14,719,476	4.62
	Travel & Leisure — 6.10% (5.68%)		
59,722	Carnival	2,919,809	0.92
65,197	Cineworld Group	357,606	0.11
163,476	Domino's Pizza Group	524,594	0.16
82,651	easyJet	1,181,909	0.37
398,872	Firstgroup	426,394	0.13
14,503	Go-Ahead Group	225,087	0.07
100,409	Greene King	520,621	0.16
63,110	InterContinental Hotels Group	2,800,822	0.88

Portfolio Statement continued

Holding/ Nominal Value	Investment	Market value £	% of Net Assets
	Travel & Leisure — (cont.)		
547,058	International Consolidated Airlines Group	3,416,377	1.07
23,630	J D Wetherspoon	291,122	0.09
201,683	Marston's	240,003	0.08
236,215	Merlin Entertainments	849,665	0.27
38,375	Millennium & Copthorne Hotels	228,523	0.07
74,859	Mitchells & Butlers	196,879	0.06
141,674	National Express Group	524,052	0.16
64,846	Restaurant Group	178,651	0.06
157,847	SSP Group	1,039,422	0.33
458,433	Thomas Cook Group	534,074	0.17
60,888	Whitbread	2,360,628	0.74
17,706	Wizz Air	623,428	0.20
		19,439,666	6.10
	Fixed Line Telecommunications — 2.51% (3.59%)		
2,784,364	BT Group	7,533,097	2.36
168,486	TalkTalk Telecom Group	235,375	0.08
19,292	Telecom Plus	228,996	0.07
		7,997,468	2.51
	Mobile Telecommunications — 6.65% (6.52%)		
152,808	Inmarsat	685,955	0.21
8,847,299	Vodafone Group	20,525,734	6.44
		21,211,689	6.65
	Electricity — 1.49% (1.89%)		
137,349	Drax Group	360,541	0.11
331,345	SSE	4,396,948	1.38
		4,757,489	1.49
	Gas, Water & Multi-utilities — 3.14% (4.02%)		
1,139,650	National Grid	10,022,082	3.14
	Banks — 7.03% (6.26%)		
80,692	Aldermore Group	250,307	0.08
12,141	BGEO Group	406,723	0.13
50,337	Close Brothers Group	714,785	0.22
289,977	CYBG	954,894	0.30
23,684,333	Lloyds Banking Group	15,724,029	4.93
27,168	Metro Bank	941,643	0.30
1,070,256	Royal Bank of Scotland Group	2,992,436	0.94
10,000	TBC Bank Group	164,600	0.05
97,490	Virgin Money UK	267,220	0.08
		22,416,637	7.03
	Nonlife Insurance — 2.04% (1.98%)		
66,882	Admiral Group	1,253,368	0.39
172,166	Beazley	830,873	0.26
456,303	Direct Line Insurance Group	1,627,633	0.51

Portfolio Statement continued

Holding/ Nominal Value	Investment	Market value £	% of Net Assets
	Nonlife Insurance — (cont.)		
97,567	Esure Group	246,747	0.08
100,341	Hastings Group	310,154	0.10
91,372	Hiscox	1,234,436	0.39
40,788	Jardine Lloyd Thompson Group	547,375	0.17
67,641	Lancashire	453,871	0.14
		6,504,457	2.04
	Life Insurance — 9.72% (9.62%)		
1,343,101	Aviva	6,822,953	2.14
223,500	Just Group	364,528	0.11
1,964,833	Legal & General Group	5,189,124	1.63
128,606	Phoenix Group	963,902	0.30
858,809	Prudential	15,651,794	4.91
173,054	St James's Place	2,002,235	0.63
		30,994,536	9.72
	Real Estate Investment & Services — 0.59% (0.76%)		
241,111	Capital & Counties Properties	637,015	0.20
54,960	CLS	122,671	0.04
1,676	Daejan	98,465	0.03
137,715	Grainger	398,960	0.12
43,110	Savills	405,665	0.13
56,681	St Modwen Properties	221,226	0.07
		1,884,002	0.59
	Real Estate Investment Trusts — 4.37% (4.47%)		
815,915	Assura	496,892	0.16
50,706	Big Yellow Group	420,353	0.13
335,296	British Land	2,189,483	0.69
33,511	Derwent London	964,782	0.30
108,055	Great Portland Estates	694,253	0.22
260,782	Hammerson	1,349,547	0.42
128,180	Hansteen	168,300	0.05
295,992	Intu Properties	703,277	0.22
236,951	Land Securities Group	2,249,850	0.71
223,904	LondonMetric Property	391,384	0.12
100,089	NewRiver REIT	321,786	0.10
451,936	Redefine International	152,754	0.05
66,605	Safestore	311,778	0.10
331,770	Segro	1,847,959	0.58
74,914	Shaffesbury	749,140	0.23
75,527	UNITE Group	573,628	0.18
39,001	Workspace Group	354,129	0.11
		13,939,295	4.37
	Financial Services — 6.73% (7.04%)		
317,808	3i Group	2,756,984	0.86
129,519	Ashmore Group	499,555	0.16
89,480	Brewin Dolphin	347,003	0.11

Portfolio Statement continued

Holding/ Nominal Value	Investment	Market value £	% of Net Assets
Financial Services — (cont.)			
80,177	Hargreaves Lansdown	1,294,859	0.41
93,651	Intermediate Capital Group	990,828	0.31
214,113	Investec	1,024,959	0.32
222,970	IP Group	329,104	0.10
124,497	John Laing Group	344,732	0.11
136,800	Jupiter Fund Management	818,064	0.26
103,527	London Stock Exchange Group	3,975,437	1.25
529,377	Man Group	1,057,695	0.33
106,132	NEX Group	604,952	0.19
51,064	OneSavings Bank	207,779	0.06
89,505	Paragon Group	433,383	0.14
48,023	Provident Financial	383,464	0.12
17,376	Rathbone Brothers	429,361	0.13
36,552	Schroders	1,252,637	0.39
14,076	Sole Realisation ¹	9,853	—
901,534	Standard Life Aberdeen	3,779,231	1.19
184,430	TP ICAP	925,839	0.29
		21,465,719	6.73
Software & Computer Services — 2.69% (1.80%)			
21,863	AVEVA Group	594,236	0.19
23,316	Computacenter	259,274	0.08
23,000	FDM Group	221,145	0.07
12,607	Fidessa Group	321,227	0.10
146,475	Micro Focus	3,634,045	1.14
361,489	Sage Group	2,810,577	0.88
37,346	Softcat	190,838	0.06
100,136	Sophos Group	544,239	0.17
		8,575,581	2.69
Technology Hardware & Equipment — 0.00% (0.05%)			
Portfolio of investments²		317,436,704	99.57
Net other assets		1,383,748	0.43
Total net assets		£318,820,452	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: £32,929,230.

Total sales for the year: £49,662,017.

Independent Auditors' Report

Independent auditors' report to the Unitholders of Legal & General Ethical Trust

Report on the audit of the financial statements

Opinion

In our opinion, Legal & General Ethical Trust's financial statements:

- give a true and fair view of the financial position of the Trust as at 12 December 2017 and of the net revenue and, the net capital gains on its scheme property for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law), the Statement of Recommended Practice for UK Authorised Funds, the Collective Investment Schemes sourcebook and the Trust Deed.

We have audited the financial statements, included within the Annual Manager's Report (the "Annual Report"), which comprise: the balance sheet as at 12 December 2017; the statement of total return, and the statement of change in net assets attributable to unitholders for the year then ended; the distribution tables; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

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

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

Independent Auditors' Report continued

Reporting on other information

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

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

Authorised Fund Manager's Report

In our opinion, the information given in the Authorised Fund Manager's Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Responsibilities for the financial statements and the audit

Responsibilities of the Authorised Fund Manager for the financial statements

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

In preparing the financial statements, the Authorised Fund Manager is responsible for 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 the Authorised Fund Manager either intend to wind up or terminate the Trust, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

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

Independent Auditors' Report continued

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

Use of this report

This report, including the opinions, has been prepared for and only for the Trust's unitholders as a body in accordance with paragraph 4.5.12 of the Collective Investment Schemes sourcebook and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Opinion on matter required by the Collective Investment Schemes sourcebook

In our opinion, we have obtained all the information and explanations we consider necessary for the purposes of the audit.

Collective Investment Schemes sourcebook exception reporting

Under the Collective Investment Schemes sourcebook we are also required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
31 January 2018

Notes:

- a) The maintenance and integrity of the Legal & General website is the responsibility of the Authorised Fund Manager; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
- b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Financial Statements

Statement of Total Return for the year ended 12 December 2017

Notes	12/12/17		12/12/16	
	£	£	£	£
Income				
Net capital gains	3	25,877,334		1,259,655
Revenue	4	10,254,920	10,031,896	
Expenses	5	(2,548,781)	(2,669,455)	
Interest payable and similar charges	7	(176)	(591)	
Net revenue before taxation		<u>7,705,963</u>	<u>7,361,850</u>	
Taxation	6	(16,238)	(13,507)	
Net revenue after taxation for the year		<u>7,689,725</u>	<u>7,348,343</u>	
Total return before distributions		<u>33,567,059</u>	<u>8,607,998</u>	
Distributions	7	(7,693,280)	(7,353,817)	
Change in net assets attributable to Unitholders from investment activities		<u>£25,873,779</u>	<u>£1,254,181</u>	

Statement of Change in Net Assets attributable to Unitholders for the year ended 12 December 2017

	12/12/17		12/12/16	
	£	£	£	£
Opening net assets attributable to Unitholders		310,304,707		290,038,417
Amounts received on issue of units	16,605,782		42,670,888	
Amounts paid on cancellation of units	(36,909,756)		(26,549,973)	
		<u>(20,303,974)</u>		<u>16,120,915</u>
Change in net assets attributable to Unitholders from investment activities		25,873,779		1,254,181
Retained distributions on accumulation units		2,941,731		2,891,194
Unclaimed distributions		4,209		–
Closing net assets attributable to Unitholders		<u>£318,820,452</u>		<u>£310,304,707</u>

Financial Statements continued

Balance Sheet as at 12 December 2017

	Notes	12/12/17 £	12/12/16 £
ASSETS			
Fixed assets:			
Investments		317,436,704	308,873,532
Current assets:			
Debtors	8	1,148,623	1,357,461
Cash and bank balances	9	<u>2,779,812</u>	<u>2,844,415</u>
Total assets		<u>321,365,139</u>	<u>313,075,408</u>
LIABILITIES			
Creditors:			
Distributions payable		(2,033,708)	(1,848,768)
Other creditors	10	<u>(510,979)</u>	<u>(921,933)</u>
Total liabilities		<u>(2,544,687)</u>	<u>(2,770,701)</u>
Net assets attributable to Unitholders		<u>£318,820,452</u>	<u>£310,304,707</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 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.

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.

(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.

Notes to the Financial Statements continued

2. Summary of Significant Accounting Policies continued

(f) Basis of valuation of investments

All investments are valued at their fair value as at 12 noon on 12 December 2017, 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 gains

The net capital gains during the year comprise:

Non-derivative securities
Currency (losses)/gains
Net capital gains

12/12/17	12/12/16
£	£
25,877,417	1,254,915
(83)	4,740
<u>25,877,334</u>	<u>1,259,655</u>

4. Revenue

UK Franked dividends
Non-taxable overseas dividends
Property distributions
Property interest distributions
Franked stock dividends
Unfranked stock dividends
Underwriting commission
Bank interest

12/12/17	12/12/16
£	£
8,386,088	8,407,163
868,683	741,029
140,840	49,574
399,767	338,139
440,459	402,907
18,346	83,568
458	5,138
279	4,378
<u>10,254,920</u>	<u>10,031,896</u>

Notes to the Financial Statements continued

5. Expenses

Payable to the Manager,
associates of the Manager
and agents of either of them:

Fund management fees

Total expenses

12/12/17	12/12/16
£	£
2,548,781	2,669,455
<u>2,548,781</u>	<u>2,669,455</u>

Audit fees of £8,120 plus VAT on Audit fees of £1,624 have been borne by the Manager out of its fund management fee. In the prior year, the total audit fee was £8,000 plus VAT of £1,600.

Notes to the Financial Statements continued

6. Taxation

(a) Analysis of taxation charge in year

	12/12/17	12/12/16
	£	£
Overseas tax	<u>16,238</u>	<u>13,507</u>
Current tax [note 6(b)]	16,238	13,507
Deferred tax [note 6(c)]	<u>—</u>	<u>—</u>
Total taxation	<u>16,238</u>	<u>13,507</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>7,705,963</u>	<u>7,361,850</u>
Net revenue before taxation multiplied by the applicable rate of Corporation tax of 20% (2016: 20%)	1,541,193	1,472,370
Effects of:		
Overseas tax	16,238	13,507
Revenue not subject to taxation	(1,962,922)	(1,920,134)
Excess management expenses not utilised	<u>421,729</u>	<u>447,764</u>
Current tax	<u>16,238</u>	<u>13,507</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 £4,161,113 (12 December 2016: £3,739,384) due to surplus management expenses.

It is unlikely the Trust will generate sufficient taxable profits in the future to utilise this amounts and therefore no deferred tax asset has been recognised (12 December 2016: 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:

	12/12/17	12/12/16
	£	£
Interim distribution	4,338,795	4,276,014
Final distribution	<u>3,321,119</u>	<u>3,123,927</u>
	7,659,914	7,399,941
Add: Revenue deducted on cancellation of units	118,070	117,577
Less: Revenue received on creation of units	<u>(84,704)</u>	<u>(163,701)</u>
Distributions for the year	7,693,280	7,353,817
Interest payable and similar charges		
Bank overdraft interest	<u>176</u>	<u>591</u>
	<u>7,693,456</u>	<u>7,354,408</u>

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

	12/12/17	12/12/16
	£	£
Net revenue after taxation for the year	7,689,725	7,348,343
Equalisation effect of conversions	<u>3,555</u>	<u>5,474</u>
Distributions for the year	7,693,280	7,353,817

8. Debtors

	12/12/17	12/12/16
	£	£
Accrued revenue	943,325	1,087,193
Amounts receivable for creation of units	79,945	258,978
Overseas tax recoverable	1,944	10,202
PID tax recoverable	3,160	1,088
Sales awaiting settlement	<u>120,249</u>	<u>—</u>
	<u>1,148,623</u>	<u>1,357,461</u>

Notes to the Financial Statements continued

9. Net uninvested cash

	12/12/17	12/12/16
	£	£
Cash and bank balances	<u>2,779,812</u>	<u>2,844,415</u>
Net uninvested cash	<u>2,779,812</u>	<u>2,844,415</u>

10. Other creditors

	12/12/17	12/12/16
	£	£
Accrued expenses	271,329	305,796
Amounts payable for cancellation of units	239,650	573,980
Purchases awaiting settlement	<u>—</u>	<u>42,157</u>
	<u>510,979</u>	<u>921,933</u>

11. Contingent liabilities and outstanding commitments

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

	12/12/17	12/12/16
	£	£
Commitments on rights issues	<u>—</u>	<u>157,910</u>
Total	<u>—</u>	<u>157,910</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 2017, 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 £15,871,835 (12 December 2016: £15,443,667).

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 2016: same).

Forward currency contracts were not utilised during the current and 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, and subsequently amended by Financial Reporting Exposure Draft 62 (FRED62), 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:

12/12/17	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	—

12/12/16	Assets	Liabilities
Basis of Valuation	£	£
Level 1 - Quoted Prices	308,873,532	—
Level 2 - Observable Market Data	—	—
Level 3 - Unobservable Data	—	—
Total	308,873,532	—

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

12/12/17	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%

12/12/16	Value	Commissions		Taxes		Total
Purchases	£'000	£'000	%	£'000	%	£'000
Equities	69,123	20	0.03	254	0.37	69,397
Total	69,123	20	0.03	254	0.37	69,397

12/12/16	Value	Commissions		Taxes		Total
Sales	£'000	£'000	%	£'000	%	£'000
Equities	50,867	(13)	0.03	(1)	—	50,853
Total	50,867	(13)	0.03	(1)	—	50,853

Commissions and taxes as % of average net assets

Commissions	0.01%
Taxes	0.09%

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 0.07% (12 December 2016: 0.08%).

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	221,207,301	80,900,260
Units issued	9,537,426	1,799,826
Units cancelled	(15,769,572)	(4,751,251)
Units converted	(118,663)	(2,241,400)
Closing Units	214,856,492	75,707,435

F-Class	Distribution	Accumulation
Opening Units	159,875	165,765
Units issued	17,854	14,804
Units cancelled	–	(25,616)
Units converted	–	103,747
Closing Units	177,729	258,700

I-Class	Distribution	Accumulation
Opening Units	90,805,171	56,213,320
Units issued	5,564,816	4,967,073
Units cancelled	(9,051,461)	(16,803,002)
Units converted	40,612	1,998,325
Closing Units	87,359,138	46,375,716

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 36.94% (35.53% as at 12 December 2016) 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 R-Class distribution unit was 65.18p. The Net Asset Value per R-Class distribution unit for the Trust as at 12 noon on 30 January 2018 was 66.46p. This represents an increase of 1.96% from the year end value.

Distribution Tables

Distribution Tables for the year ended 12 December 2017

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	
			13/12/16	to 12/06/17
R-Class			Distribution	Distribution
Distribution Units			12/08/17	12/08/16
	Revenue	Equalisation		
Group 1	0.7917	—	0.7917	0.7730
Group 2	0.5706	0.2211	0.7917	0.7730
R-Class			Distribution	Distribution
Accumulation Units			12/08/17	12/08/16
	Revenue	Equalisation		
Group 1	1.1404	—	1.1404	1.0896
Group 2	0.8985	0.2419	1.1404	1.0896
F-Class			Distribution	Distribution
Distribution Units			12/08/17	12/08/16
	Revenue	Equalisation		
Group 1	1.0283	—	1.0283	0.9880
Group 2	—	1.0283	1.0283	0.9880
F-Class			Distribution	Distribution
Accumulation Units			12/08/17	12/08/16
	Revenue	Equalisation		
Group 1	1.5238	—	1.5238	1.4227
Group 2	0.9684	0.5554	1.5238	1.4227
I-Class			Distribution	Distribution
Distribution Units			12/08/17	12/08/16
	Revenue	Equalisation		
Group 1	1.0680	—	1.0680	1.0230
Group 2	0.7308	0.3372	1.0680	1.0230
I-Class			Distribution	Distribution
Accumulation Units			12/08/17	12/08/16
	Revenue	Equalisation		
Group 1	1.6789	—	1.6789	1.5609
Group 2	1.2070	0.4719	1.6789	1.5609

Distribution Tables continued

Final dividend distribution in pence per unit			Period	
			13/06/17	to 12/12/17
R-Class			Distribution	Distribution
Distribution Units			12/02/18	12/02/17
	Revenue	Equalisation		
Group 1	0.6117	—	0.6117	0.5180
Group 2	0.2477	0.3640	0.6117	0.5180
R-Class			Distribution	Distribution
Accumulation Units			12/02/18	12/02/17
	Revenue	Equalisation		
Group 1	0.8920	—	0.8920	0.7399
Group 2	0.4120	0.4800	0.8920	0.7399
F-Class			Distribution	Distribution
Distribution Units			12/02/18	12/02/17
	Revenue	Equalisation		
Group 1	0.7809	—	0.7809	0.7350
Group 2	0.1688	0.6121	0.7809	0.7350
F-Class			Distribution	Distribution
Accumulation Units			12/02/18	12/02/17
	Revenue	Equalisation		
Group 1	1.1753	—	1.1753	1.0756
Group 2	0.5486	0.6267	1.1753	1.0756
I-Class			Distribution	Distribution
Distribution Units			12/02/18	12/02/17
	Revenue	Equalisation		
Group 1	0.8219	—	0.8219	0.7727
Group 2	0.4411	0.3808	0.8219	0.7727
I-Class			Distribution	Distribution
Accumulation Units			12/02/18	12/02/17
	Revenue	Equalisation		
Group 1	1.3132	—	1.3132	1.2003
Group 2	0.6486	0.6646	1.3132	1.2003

Trust Information (Unaudited)

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 (Unaudited) continued

Comparative Tables

R-Class Distribution Units

Change in Net Asset Value per Unit

Accounting Year ending	12/12/17 (pence per unit)	12/12/16 (pence per unit)	12/12/15 (pence per unit)
Opening net asset value per unit	60.00	59.78	56.28
Return before operating charges*	7.25	2.20	5.30
Operating charges (calculated on average price)	(0.67)	(0.69)	(0.71)
Return after operating charges*	6.58	1.51	4.59
Distributions on income units	(1.40)	(1.29)	(1.09)
Closing net asset value per unit	65.18	60.00	59.78
* after direct transaction costs of:	0.04	0.06	0.05

Performance

Return after charges	10.97%	2.52%	8.16%
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Other Information

Closing net asset value (£)	140,053,019	132,721,704	134,711,116
Closing number of units	214,856,492	221,207,301	225,337,427
Operating charges [†]	1.05%	1.15%	1.15%
Direct transaction costs	0.06%	0.10%	0.08%

Prices

Highest unit price	67.77p	63.56p	67.07p
Lowest unit price	59.87p	52.94p	55.34p

[†] 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 (Unaudited) continued

Comparative Tables continued

R-Class Accumulation Units

Change in Net Asset Value per Unit

Accounting Year ending	12/12/17 (pence per unit)	12/12/16 (pence per unit)	12/12/15 (pence per unit)
Opening net asset value per unit	86.45	84.28	77.98
Return before operating charges*	10.47	3.14	7.30
Operating charges (calculated on average price)	(0.98)	(0.97)	(1.00)
Return after operating charges*	9.49	2.17	6.30
Distributions	(2.03)	(1.83)	(1.51)
Retained distributions on accumulation units	2.03	1.83	1.51
Closing net asset value per unit	95.94	86.45	84.28
* after direct transaction costs of:	0.05	0.08	0.07

Performance

Return after charges	10.98%	2.57%	8.08%
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Other Information

Closing net asset value (£)	72,637,471	69,935,470	75,279,284
Closing number of units	75,707,435	80,900,260	89,315,959
Operating charges†	1.05%	1.15%	1.15%
Direct transaction costs	0.06%	0.10%	0.08%

Prices

Highest unit price	97.64p	90.80p	92.94p
Lowest unit price	86.25p	75.44p	76.67p

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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 (Unaudited) continued

Comparative Tables continued

F-Class Distribution Units

Change in Net Asset Value per Unit

Accounting Year ending	12/12/17 (pence per unit)	12/12/16 (pence per unit)	12/12/15 (pence per unit)
Opening net asset value per unit	60.34	60.13	56.61
Return before operating charges*	7.32	2.20	5.34
Operating charges (calculated on average price)	(0.29)	(0.27)	(0.28)
Return after operating charges*	7.03	1.93	5.06
Distributions on income units	(1.81)	(1.72)	(1.54)
Closing net asset value per unit	65.56	60.34	60.13
* after direct transaction costs of:	0.04	0.06	0.05

Performance

Return after charges	11.65%	3.21%	8.94%
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Other Information

Closing net asset value (£)	116,514	96,470	96,132
Closing number of units	177,729	159,875	159,875
Operating charges [†]	0.45%	0.45%	0.45%
Direct transaction costs	0.06%	0.10%	0.08%

Prices

Highest unit price	68.38p	64.07p	67.69p
Lowest unit price	60.21p	53.25p	55.67p

[†] 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 (Unaudited) continued

Comparative Tables continued

F-Class Accumulation Units

Change in Net Asset Value per Unit

Accounting Year ending	12/12/17 (pence per unit)	12/12/16 (pence per unit)	12/12/15 (pence per unit)
Opening net asset value per unit	89.42	86.58	79.54
Return before operating charges*	10.86	3.23	7.44
Operating charges (calculated on average price)	(0.44)	(0.39)	(0.40)
Return after operating charges*	10.42	2.84	7.04
Distributions	(2.70)	(2.50)	(2.17)
Retained distributions on accumulation units	2.70	2.50	2.17
Closing net asset value per unit	99.84	89.42	86.58
* after direct transaction costs of:	0.06	0.08	0.07

Performance

Return after charges	11.65%	3.28%	8.85%
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Other Information

Closing net asset value (£)	258,278	148,222	175,788
Closing number of units	258,700	165,765	203,042
Operating charges†	0.45%	0.45%	0.45%
Direct transaction costs	0.06%	0.10%	0.08%

Prices

Highest unit price	101.30p	93.80p	95.11p
Lowest unit price	89.22p	77.58p	78.22p

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

Trust Information (Unaudited) continued

Comparative Tables continued

I-Class Distribution Units

Change in Net Asset Value per Unit

Accounting Year ending	12/12/17 (pence per unit)	12/12/16 (pence per unit)	12/12/15 (pence per unit)
Opening net asset value per unit	59.94	59.73	56.24
Return before operating charges*	7.28	2.20	5.29
Operating charges (calculated on average price)	(0.20)	(0.19)	(0.19)
Return after operating charges*	7.08	2.01	5.10
Distributions on income units	(1.89)	(1.80)	(1.61)
Closing net asset value per unit	65.13	59.94	59.73
* after direct transaction costs of:	0.04	0.06	0.05

Performance

Return after charges	11.81%	3.37%	9.07%
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Other Information

Closing net asset value (£)	56,892,883	54,432,055	44,426,427
Closing number of units	87,359,138	90,805,171	74,373,793
Operating charges [†]	0.31%	0.31%	0.31%
Direct transaction costs	0.06%	0.10%	0.08%

Prices

Highest unit price	67.97p	63.67p	67.29p
Lowest unit price	59.81p	52.90p	55.30p

[†] 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 (Unaudited) continued

Comparative Tables continued

I-Class Accumulation Units

Change in Net Asset Value per Unit

Accounting Year ending	12/12/17 (pence per unit)	12/12/16 (pence per unit)	12/12/15 (pence per unit)
Opening net asset value per unit	94.23	91.11	83.59
Return before operating charges*	11.45	3.41	7.81
Operating charges (calculated on average price)	(0.32)	(0.29)	(0.29)
Return after operating charges*	11.13	3.12	7.52
Distributions	(2.99)	(2.76)	(2.42)
Retained distributions on accumulation units	2.99	2.76	2.42
Closing net asset value per unit	105.36	94.23	91.11
* after direct transaction costs of:	0.06	0.09	0.07

Performance

Return after charges	11.81%	3.43%	9.00%
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Other Information

Closing net asset value (£)	48,862,287	52,970,786	35,349,670
Closing number of units	46,375,716	56,213,320	38,798,246
Operating charges†	0.31%	0.31%	0.31%
Direct transaction costs	0.06%	0.10%	0.08%

Prices

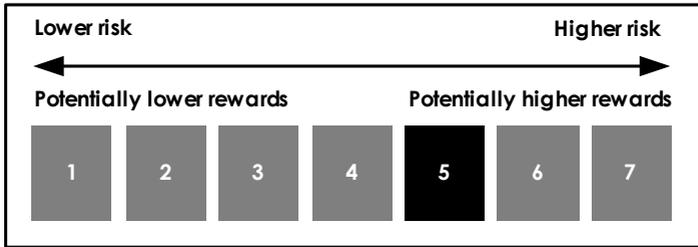
Highest unit price	106.80p	98.82p	100.00p
Lowest unit price	94.02p	81.66p	82.20p

† 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.

Risk and Reward Profile



- 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 is based on the rate at which the value of the Trust has moved up and down in the past.
- This Trust is in category five because it invests in company shares which generally provide higher rewards and higher risks than other investments such as bonds, cash or commercial property.
- 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 £500 F-Class* £500 I-Class £1,000,000
Minimum monthly contributions:	R-Class £50 F-Class* £50 I-Class N/A
Valuation point:	12 noon
Fund management fees:	R-Class Annual 0.95%† (1.15% Prior to 6 June 2017) F-Class* Annual 0.45% I-Class Annual 0.31%
Initial charge:	R-Class Nil† F-Class* Nil I-Class Nil

* F-Class units are only available to:

- (i) investors who have received advice from authorised intermediaries and platforms in relation to their investment in units in the Trust and
- (ii) authorised intermediaries or 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 6 June 2017 – 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:

Controlled Functions

Headcount	Fixed Remuneration (£,000)	Variable Remuneration (£,000)	Remuneration related to this Scheme (Pro-rated) (£'000)
16	3,278	5,980	82

Material Risk Takers

Headcount	Fixed Remuneration (£,000)	Variable Remuneration (£,000)	Remuneration related to this Scheme (Pro-rated) (£'000)
22	2,178	2,535	5

Controlled Functions

As at 31 December 2016, Legal & General Unit Trust Managers Limited (UTM) engaged the services of five 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, one LGIMH employee plus one LGR employee were also engaged in Director Services during the year, but resigned in 2016. UTM also engaged the services of a further five LGIMH employees and a further two 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 and Significant Management 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.

Material Risk Takers

As at the 31 December 2016, 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 UTM.

General Information (Unaudited) continued

Significant Changes

Change of FMF for R-Class

With effect from 6 June 2017, the Fund Management Fee (FMF) has been reduced from 1.15% to 0.95%.

Removal of Initial Commission

With effect from 6 June 2017, initial commission will no longer be paid on the Trust. The initial commission was intended to reflect the costs incurred by the product provider and the intermediary for setting up and selling the business, however, Legal & General no longer consider it appropriate to continue to pay commission on such transactions.

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. Solomon
S. D. Thomas
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 Limited
Trustee and Depositary 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

PricewaterhouseCoopers LLP
7 More London Riverside
London SE1 2RT

Investment Adviser

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Authorised and regulated by the Financial Conduct Authority

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

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