LawDebenture

ANNUAL REPORT
2020

The Law Debenture Corporation p.l.c.

A differentiated investment proposition

A PROUD HISTORY

132 years of value creation for shareholders

STRENGTH AND DIVERSITY OF INCOME

34.0% of total 2020 dividend funded by our Independent Professional Services business

LONG-TERM DIVIDEND GROWTH

42 years of increasing or maintaining dividends to shareholders (116.5% increase in dividend over the last ten years)

CONSISTENT LONG-TERM OUTPERFORMANCE OF OUR BENCHMARK

87.3% outperformance of our benchmark, the FTSE Actuaries All-Share Index, over ten years

Key statistics

for the year ended 31 December 2020

666.2p
NAV per share (2019: 702.2p)

787.2m[1]
Net Asset Value (2019: 830.1m)

18.3%[2]
Growth in fair valuation of IPS (2019: 21.0%)

9.5%
Independent Professional Services business growth in earnings per share (2019: 8.5%)

-9.8%
Benchmark total return for the year (2019: 19.2%)

3.6%
NAV total return for the year (with debt at par) (2019: 19.4%)

5.8%
Proposed increase in 2020 dividend per share (2019: 37.6%)

6.2%
Increase in share price in 2020 (2019: 20.4%)

1 Please refer to page 37 for calculation of net asset value.
2 Increase in annual valuation of Independent Professional Services business, excluding change in surplus net assets.

LawDebenture

Law Debenture is an investment trust and a leading provider of independent professional services, listed on the London Stock Exchange. From its origins in 1889, it has diversified to become a Group with a unique range of activities in the financial and professional services sectors. The Group has two distinct areas of business:

Investment Portfolio

c. 83% of NAV

Managed by James Henderson and Laura Foll of Janus Henderson

OBJECTIVE: LONG-TERM CAPITAL GROWTH IN REAL TERMS AND STEADILY INCREASING INCOME

- Focused on long-term returns
- Low ongoing charges ratio at 0.55%[1] compared to industry average of 1.02%[2]
- Contrarian investment style:
  - Out of favour equities standing at valuation discounts to their long-term historical average
  - High quality companies with strong competitive advantage at attractive valuations
- Selective, bottom-up approach
- Diversified portfolio by sector (predominant UK weighting)

Independent Professional Services (IPS) business

c. 17% of NAV

PENSIONS

The longest established and largest UK provider of independent pension trustees

CORPORATE TRUST

A leading independent corporate trustee across international capital markets

CORPORATE SERVICES

Range of outsourced solutions to corporates internationally

INTERNATIONAL PRESENCE:

United Kingdom, New York, Ireland, Hong Kong, Delaware, and Channel Islands

All divisions have further potential for growth through the overall market growth for these services and market share gains, alongside better leveraging technology, strong relationships and a high quality brand

Significant, consistent income contribution from IPS gives greater flexibility in stock selection

1 Calculated based on data held by Law Debenture for the year ended 31 December 2020.
2 Source: Association of Investment Companies (AIC) industry average (excluding 3i) as at 31 December 2020.

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Financial summary

	31 December 2020 £000	31 December 2019 £000	Change
Net assets[1]	787,219	830,139	(5.2)%
	Pence	Pence	
Net Asset Value (NAV) per share at fair value[1*]	666.15	702.17	(5.1)%
Revenue return per share			
Investment portfolio	12.12	22.18	(45.4)%
Independent professional services	9.35	8.54	+9.5%
Group charges	0.09	(0.04)	N/M
Group revenue return per share	21.56	30.68	(29.7)%
Capital (loss)/return per share	(19.06)	79.27	N/M
Dividends per share	27.50	26.00	+5.8%
Share price	690.00	650.00	+6.2%
	%	%	
Ongoing charges[3*]	0.55	0.48	
Gearing[3]	9	5[†]	
Premium/(Discount)*	3.6	(7.4)	

Performance

	1 year %	3 years %	5 years %	10 years %
NAV total return[2*] (with debt at par)	3.6	15.6	59.1	147.8
NAV total return[2*] (with debt at fair value)	2.0	13.2	53.0	134.7
FTSE Actuaries All-Share Index Total Return[4]	(9.8)	(2.7)	28.5	71.9
Share price total return[4*]	12.9	24.3	67.3	174.8
Change in Retail Price Index[4]	0.9	6.4	13	29.4

* Items marked "*" are considered to be alternative performance measures and are described in more detail on page 128.

† The 2019 gearing has been restated to reflect the revised approach to the calculation. Please see page 128 for more information.

1 Please refer to page 37 for calculation of net asset value.

2 NAV is calculated in accordance with the AIC methodology, based on performance data held by Law Debenture including fair value of the IPS business and long-term borrowings. NAV is shown with debt measured at par and with debt measured at fair value.

3 Source: AIC. Ongoing charges are based on the costs of the investment trust and include the Janus Henderson Investors' management fee of 0.30% of NAV of the investment trust. There is no performance related element to the fee. Gearing is described in the strategic report on page 34 and in our alternative performance measures on page 128.

4 Source: Refinitiv Datastream.

Chairman's statement

In what has been a challenging year, Law Debenture has shown good resilience and I am delighted to introduce our 2020 annual report.

Performance

2020 was a very difficult year. The impact of Covid-19 on our lives has been substantial and has led to significant economic volatility. Although the recent approval and rollout of new vaccines usher in hope, it is difficult to assess how long this period of instability will last.

However, the strength and capabilities of your Company have been evident in these volatile times. During the period, our active investment managers have demonstrated the value in their stock-picking strategy. Despite the current backdrop, Law Debenture saw a share price total return of 12.9% in 2020, outperforming the FTSE Actuaries All-Share Index by 22.7%, which declined by 9.8%. Over the same period, your Company's net asset value (with debt at par) grew 3.6%[1] .

We are proud of this achievement and our ability to deliver on our aim of producing long-term capital growth and steadily increasing income for our shareholders.

The Board remains strongly focused on longer-term performance. Over the three-year period to 31 December 2020, the NAV per share (with debt at par) total return was up 15.6%, which compares favourably with the 2.7% total return of the FTSE All-Share Index and, over ten years, your Company saw a NAV per share total return of 147.8%, outstripping the 71.9% total return for the FTSE All-Share Index.

We are continuing to closely monitor and actively manage the impact of Covid-19 on our portfolio and clients. We are also taking the necessary precautions to protect both our employees and the communities in which we operate.

Dividend

Law Debenture has a proud history of maintaining or increasing its dividend payments for 42 years.

The Covid-19 crisis has highlighted the unique benefits that Law Debenture's structure offers. The severe turbulence across global markets in 2020 caused a large proportion of listed companies to suspend or cut their dividends in order to protect their businesses over the long-term. The stable income provided by our IPS business means that we are not as dependent as many on the payouts from our underlying investments, illustrating the trust's relative resilience in a downturn. The IPS business has funded over a third of our dividends to shareholders over the past eleven years. It continues to demonstrate a good performance at a time of significant market instability.

Furthermore, as with all investment trusts, we have the ability to hold back a portion of our income received each year. These revenue reserves help us to maintain or continue increasing our dividends in times of economic distress. At the start of 2020, we had one of the strongest reserves positions within the UK Equity Income sector with a Group retained earnings of £62.5m[2].

Understandably, having regular, reliable income is now more important than ever for many of our shareholders. We listened to feedback from our investors and in July, transitioned to a quarterly dividend cycle, providing greater regularity around dividend payments.

Subject to your approval, we propose paying a final dividend of 8 pence per ordinary share. The dividend will be paid on 15 April 2021 to holders on the register on the record date of 12 March 2021. This will provide shareholders with a total dividend of 27.5 pence per share for 2020 and represents a dividend yield of 3.8% based on our share price of 723p pence on 24 February 2021.

As we have done this year, we will continue to listen and respond to feedback, to deliver value for our shareholders.

Our investment portfolio

Our experienced investment management team, led by James Henderson and Laura Foll, has left us well-positioned for future longer-term growth. The investment managers' review on pages 18 to 22 contains a more detailed explanation from James and Laura on the portfolio's performance.

Through these difficult times, your Board continues to support the investment managers' strategy of investing in high-quality companies at attractive valuations, which offer good total return opportunities. With markets in their current state, the advantages of Law Debenture's structure have been evident. The cash that we generate from our IPS business has allowed James and Laura to avoid potential value traps, as other income funds may be forced into a narrower selection of stocks to maintain their own dividend yield.

IPS business

Within the IPS business, our diverse revenue streams have shown resilience in these difficult macroeconomic conditions.

During the period, we continued to deliver growth. Over the course of 2020, IPS grew its revenues by 8.5% while earnings per share grew by 9.5% compared to 2019. This is built on two previous years of good performance and, over the last three years, revenues have grown by 27.1% and earnings per share by 29.7% in total.

1 NAV is calculated in accordance with the AIC methodology, based on performance data held by Law Debenture including fair value of the IPS business and long-term borrowings. NAV is shown with debt measured at par and with debt measured at fair value.

2 Investec Securities analysis from 30 March 2020, based on Group Revenue Return, including professional services fees. Calculated on an annualised basis on dividend payments in respect of accounting years between 1 January 2011 and 31 December 2020. Group retained earnings were £62.5m as at 1 January 2020.

Chairman's statement continued

We maintained operational continuity throughout the Covid-19 pandemic and did not furlough any employees, implement any pay cuts or make any redundancies related to Covid-19.

In December, we were pleased to announce the acquisition of a company secretarial business line (CSS) from Konexo UK, a division of Eversheds Sutherland (International) LLP, for £20 million. The acquisition was an important step forward in supporting Law Debenture's strategy. The expansion of our existing company secretarial offering will enable us to grow in an attractive core business and meet increasing customer needs in a specialised market.

The Board believes that the IPS business continues to have good prospects for further organic growth and we remain alert to opportunities presented by acquisitions which meet Law Debenture's strict financial and strategic criteria.

Environmental, Social and Governance (ESG) considerations

Robust governance, transparency and accountability are embedded in our corporate values. Within our IPS business, utilities' consumption and business travel are critical aspects of our environmental and carbon footprint. In 2020, we were pleased to move into a new 'green' office and adopt paperless ways of working and we look forward to increasing our focus on ESG in 2021. The Board will be conducting a full internal review on ESG and we plan to monitor our emissions and evaluate carbon reduction targets, step up employee engagement and ensure individual voices continue to be heard. Many of our IPS activities constitute governance services and we strive to maximise the potential of all our colleagues and partners.

This year there were several new appointments within our senior leadership, as covered later in this report. I am proud that we have strong female representation across our management team. We are working to ensure that ethnic diversity is appropriately represented within our organisation, but we acknowledge that there is more work to do. We are committed to progressing this further in 2021.

Our investment managers have an ESG policy of discussing any material issues directly with their investee companies and monitoring for improvement. They are not afraid to exit positions where management fail to deliver expected improvements. In addition, James and Laura are always looking for companies that are actively seeking to address ESG issues. Holdings exposed to the need to decarbonise the global economy have performed extremely well during the year, including Ceres Power and ITM Power. ESG issues are considered both directly by James and Laura, and also by the experienced responsible investing team at Janus Henderson. While they do have quantitative metrics on ESG available for the portfolio, they are not at present explicitly screening companies out on ESG ratings as the data quality is sometimes unreliable. This will be kept under review.

The Board

I would like to thank our CEO, Denis Jackson, for his tireless efforts during 2020, particularly in relation to the acquisition of the CSS business and delivering another set of strong results for your Company. The Board worked closely with our CEO to restructure our Executive Leadership team. We were delighted to appoint Trish Houston as our new COO and welcomed her as an Executive Director on the Board on 2 September. She is a chartered accountant with almost two decades of experience in financial services. Her in-depth sector knowledge will be invaluable as we continue to make progress against our stated growth strategy.

Katie Thorpe stood down as CFO in October and was succeeded by Hester Scotton, who joined Law Debenture in 2019 as Head of Internal Controls and Group Money Laundering Reporting Officer. The management transition has gone well, with both Hester and Trish playing integral roles in our acquisition of CSS from Konexo UK. I look forward to working with them both as we look to continue our growth trajectory.

The Executive Leadership team was further strengthened with the promotion of Kelly Stobbs to General Counsel.

After nine years on the Board, Robert Laing will be stepping down as non-executive director and Chairman of the Remuneration Committee. We would like to thank him for his significant contribution to the Company over the years and wish him all the best in the future.

Report and accounts

Every year we reflect on the format and disclosure of the report and accounts, striving to improve how we communicate with shareholders. For 2020 you will notice we have presented additional disclosure within our risk management section and simplified our presentation of the remuneration report. We cannot ignore the impact of Covid-19 and have set out in full within the Strategic Report how we have responded to the pandemic to protect our key stakeholders. We will continue to listen to shareholders and analysts, reflecting on the areas they find important and evolving our reporting to make sure we have the appropriate level of transparency. We continue to develop an integrated ESG narrative and see this as the start of a journey and will be looking to continue to evolve our reporting into 2021 and beyond.

Looking forward

The Board is confident in the expertise of our investment managers and their strategy of investing in high-quality companies with strong competitive characteristics. Where the current valuation does not reflect the long-term prospects, these companies should continue to deliver attractive returns to shareholders.

The prospects of the IPS businesses remain positive due to their strong market positions and good reputation, supported by strong governance and regulatory drivers in the markets in which they operate.

Overall, the Board is confident that your Company is positioned to perform well in the long-term and our unique structure is well placed to serve shareholders searching for a reliable and growing income stream.

In closing, we are grateful to our people for their tremendous work and efforts in delivering a good set of results in 2020 and for their ongoing dedication to our business.

Robert Hingley
Chairman
25 February 2021

Q&A with Denis Jackson, Chief Executive Officer

1. How should shareholders be feeling about Law Debenture's results in 2020?

Despite the Covid-19 crisis, our business preserved shareholders' capital, increased our dividend, and increased the earnings of our operating business. Not many businesses can say that about their performance in 2020. We performed well during the crisis but it is critical now that we use our position of strength to continue to build long-term capital growth and steadily increasing income.

2. What were the highlights for you?

Without question it was the way that all of our staff, unselfishly, and without any prompting from me, brought out the very best of our collective experience to solve the rapidly evolving needs of our clients. I am proud of the kindness that our staff showed to one another and the calm, measured and thoroughly professional way in which they applied themselves. We are lucky to have them. We will continue to invest in them and in their well-being.

3. Where do you feel the Company could potentially have done better?

We need to ensure that investors and potential new investors understand us. This includes who we are, what we do and how we do it. We have a very loyal investor base who have supported us through all parts of the economic cycle. As our Group evolves, we must take them with us and attract a new generation of buyers of our stock.

4. What, if any, learnings came from Covid-19 for the business?

I think that as much as we try to forecast, budget and plan, we can never predict what is just around the corner. During my career, I have experienced a stock market crash, the demolishing of the Berlin Wall, 9/11, the global financial crisis and now a global pandemic. With a strong balance sheet, a diverse set of revenue streams and a reputation for excellence, Law Debenture will always attract discerning clients. Law Debenture has once again shown resilience in a crisis; continued investment in a great technology team and a good disaster recovery plan have certainly proved their worth.

Q&A with Denis Jackson, Chief Executive Officer continued

5. Have there been any changes to your strategy/priorities for the IPS business going forward?

We have a strong brand built on trust and product excellence. We need to maintain these pillars while adding 'ease of use' as a third. When the Board interviewed me for the role just over three years ago, we agreed that we should look to radically reposition the role of technology in our business. Specifically the need to embed efficient technology into the way that all of our businesses interact with our clients. We have made progress from a low base but we still have much to do. It is critical that we quicken the pace of change.

6. How is the integration of the company secretarial business from Eversheds Sutherland (International) LLP progressing?

The transaction completed on the last working day in January 2021. It is still early days, but we are off to a fast start. During our initial conversation with Eversheds last year, we stated that on completion of the acquisition we wanted to have the same excellent people, in the same offices, serving the same clients on similar terms. On Monday, 1 February 2021, all of our new staff were able to log on to their new machines, access the correct data and continue serving their clients. From a client continuity perspective we are in great shape. Successfully embedding a new business requires a significant amount of work, but this is well under way.

7. Should we expect more acquisitions in the short or longer term?

As we have previously stated, we are open to growth through acquisitions. This very much remains the case.

8. What do you see as the main challenges to sustainably grow all three divisions of the IPS business?

We must ensure that we have the right people in place to both grow our business and deliver an excellent service to our clients.

9. Given the macroeconomic backdrop, what medium-term growth are you targeting for the IPS business and how might the multiple develop over time in different scenarios?

In our annual report two years ago we stated that following a period of no growth between 2011 and 2017, mid to high single digit growth would be a sensible target and would represent significant progress. In the past three years, our IPS EPS has increased by 9.2%, 8.5% and 9.5% respectively. We are proud of this and believe that compound mid to high single digit growth continues to be an appropriate goal for our business. If we continue to execute well, compound our growth at mid to high single digits, and better educate analysts and investors about our business, we are confident we will achieve our goals of long-term capital growth and steadily increasing income.

Q&A with James Henderson and Laura Foll investment managers

1. The pandemic has caused disruption for all companies this year. How has this impacted your investment approach?

James: Trends that were in place before the pandemic, such as the growth of online shopping and the decline in physical retailing, have been accelerated. We have always focused on companies that provide an excellent product or service to the consumer. Those companies have in their culture an ability to adapt to the situations in which they find themselves; in that sense the pandemic has not changed our approach.

2. What steps did you take in response to the outbreak of the pandemic?

Laura: During Spring of 2020 when the first 'lockdown' happened the most material response from us was to be net investors, as we saw a wide range of opportunities across both new and existing holdings. February and March were the largest months for net investment and, by the end of March, we had invested an additional £36.8m in equities. This was then slowly unwound over the course of the year as valuations began to recover.

3. How do you think the long-term economic consequences of Covid-19 will affect the portfolio and the type of stocks you choose?

James: The long-term economic consequences will not be fully known for several years. The high level of indebtedness that the state has incurred could hold back long-term economic growth prospects in the UK. If interest rates rise substantially in coming years the cost of servicing that debt will act as a real drag on economic activity.

However, the portfolio is not a proxy for the UK economy but rather a collection of individual companies that we believe will prosper even if there is an economic headwind.

Q&A with James Henderson and Laura Foll investment managers continued

4. ESG is a topic that is of increasing importance for investors, how does this tie in with your investment process?

Laura: ESG is a growing focus across the fund management industry. You would be hard placed to find a fund manager that does not say ESG is an increasingly important part of the investment process and we are no exception. I think where we potentially differ is that we see ESG, particularly environmental issues such as the need to reduce global emissions, as an opportunity as well as a risk. The portfolio performance in 2020 demonstrates this – two of the top five performers were in alternative energy.

5. What will be the long-term implications from the Brexit deal on UK equities?

James: It is a big relief that there has been a deal on Brexit. This means goods will not be subject to punishing tariffs. Overseas investors had been very worried about a no deal Brexit. Over the next year, they could increase their exposure to UK equities and this could be good for valuations. Longer term, however, it is unclear what the implications might be.

6. Where do you currently see the most attractive investment opportunities?

Laura: We are finding most opportunities in the UK. The UK has materially underperformed other global equity markets over the last five years and 2020 was no exception. This has led to a clear valuation discount between UK companies and overseas peers. Towards the end of 2020 there was a notable pick-up in takeover activity as private equity and overseas companies sought to exploit that valuation gap. We would not be surprised if we see further corporate activity in 2021.

7. What do you think are the key lessons to be learnt from the crisis?

James: Equity investment always carries risk of the unexpected occurring. However human ingenuity will overcome the problems. This has occurred over the last year with the pandemic's arrival and fast tracking of vaccines to control it.

8. Has your approach to risk in the portfolio and what comprises an appropriate capital structure changed as a result of the crisis?

Laura: I think what this year demonstrated, more than ever, was the need for diversity in the portfolio and the role of diversity in mitigating risk. We had some businesses that thrived last year, some that continued operating without much impact, and some that were severely affected, but the overall blend meant that the net asset value was able to finish the year approximately flat.

The key lesson for me in terms of appropriate capital structure is to fully appreciate the importance of a strong balance sheet in the face of 'unknown unknowns'. This was a lesson many of our management teams had already learnt during the financial crisis, and therefore we went into this downturn with comparatively strong balance sheets.

9. What is the outlook for UK dividends in 2021 and beyond?

Laura: We expect UK dividends to recover in 2021 relative to 2020 levels, but not to reach 2019 levels. This is because some income payers in the UK, including the integrated energy companies, permanently rebased their dividends last year due to a combination of the oil price fall and the need to gradually reposition their portfolios towards renewable energy. Looking further ahead, I think what we will see in the UK is a more balanced market for UK equity income. Previously, UK dividends were heavily dominated by a few large income payers for example, Royal Dutch Shell and BP, as well as large banks such as HSBC. I think companies that had previously had, in hindsight, too high payouts will take the opportunity to rebase their dividends to a level from which they can grow. This may mean the yield of the UK index being lower than historically, but there will still be an attractive income opportunity in the UK. There should also be scope for dividend growth from that newly rebased level.

10. What trends do you expect to see in 2021 and how will these play a role in your approach to investing?

James: The desire for an environmentally sustainable economy has become even more important to governments and individuals. Therefore companies that are dealing with the issue of decarbonisation will rise to prominence if they can provide answers to the issue. Companies involved in this area are well represented in the portfolio.

Chief Executive Officer's review

Introduction

2020 was a year of significant turbulence and uncertainty, which saw companies around the world being forced to adapt quickly and nimbly to a continually changing environment. For the UK, the macroeconomic uncertainty caused by Covid-19, combined with an ongoing lack of clarity on its future relationship with the EU, our largest export market, saw the fastest contraction in economic activity of modern times.

However, our generally robust performance through the year reflects well on our ability to withstand major operational and market challenges. It is with great pride that I can say I now feel more optimistic than ever about the longer-term growth trajectory of Law Debenture, the strength of our business model and quality of our investment managers, James Henderson and Laura Foll of Janus Henderson Investors. As a UK Equity Income Trust, this Company works to ensure shareholders can depend on us for regular, reliable income. We aim to gradually increase income, by increasing dividend payments in excess of inflation over time. 2020 was a year which showcased how the unique combination of our equity portfolio and leading global professional services business can drive value for our stakeholders.

> At the core of Law Debenture's financial objectives are two keys aims; the first is to achieve long-term capital growth, the second is to steadily increase income for our shareholders.

The Board at Law Debenture is focused on delivering for stakeholders over the longer-term and we are proud to have delivered a 117% increase in dividend over the last ten years with 42 years of increasing or maintaining dividends to shareholders. This is all supported by the diversified nature of IPS revenues, which funded around 35% of dividends for the trust over the preceding 10 years.

At the AGM on 7 April 2020 when talking to the potential impact of lockdown on the IPS business we stated that "we would get a bloody nose, but overall the diversified mix of revenue streams would serve us well". Almost one year on, that still feels like an appropriate assessment. IPS business net revenues for the full year were up 8.5% at £34.5m (2019: £31.8m) and earnings per share up by 9.5% to 9.35p (2019: 8.54p). At the start of 2019 we committed to shareholders that we would seek to grow our IPS business by mid to high single digits. Given everything that 2020 threw at us, we are proud to have been able to deliver growth within this targeted range.

Our unique proposition as an investment trust is that the IPS business allows James and Laura increased flexibility in portfolio construction. This was highlighted in 2020. The combination of our strong reserves position and the resilience of the IPS revenues allowed our investment managers to maintain or increase exposures to great companies whose dividends are challenged in the short-term. Moreover, the strength of our diversified income streams allowed us to invest into some emerging companies with excellent long-term growth prospects who will not be paying dividends for many years.

We have also invested in our central leadership team and functions to provide greater support to the IPS business. As part of this, I have built our Executive Leadership team. I am delighted to welcome Trish Houston as COO. During the year, Hester Scotton was promoted to CFO and Kelly Stobbs was promoted to General Counsel.

Taking each business in turn:

Corporate trust

Law Debenture was founded 132 years ago to be a bond trustee. Our role as a bond trustee is to act, as a conduit, between the issuer of a bond and the bondholders themselves. Typical duties for us include being a point of contact between the issuer and its bondholders and receiving certain financial, security and covenant information from the issuer, for which we are usually paid an inflation-linked annual fee throughout the lifetime of the bond. We started 2020 with approximately £5m of annual revenues contractually secured.

Chief Executive Officer's review continued

Our leading independent professional services business is built on three excellent foundations: our pensions, corporate trust and corporate services businesses.

DIVISION	Net revenue 2018 £000	Net revenue 2019 £000	Net revenue 2020 £000	Growth 2019/2020 %
Pensions	9,488	10,598	11,479	8.3%
Corporate trust	8,362	9,024	10,788	19.5%
Corporate services	11,734	12,167	12,226	0.5%
Total	29,584	31,789	34,493	8.5%

We also earn revenue from 'post issuance work', such as documentation changes, which can arise over the life of the bond. The revenue and risk profile can change substantially when a bond issuer becomes stressed or a bond issue itself goes into default. In these circumstances, the trustee may be required to perform a material amount of extra work in order to optimise returns for all bondholders. Such default scenarios may involve the business incurring costs and can take many years to play out. That said, given a favourable result, this may lead to incremental revenues for the business. We do not wish any operating difficulties on any of the issuers in our portfolio. Nonetheless, the countercyclicality of post issuance work with the economic cycle has been demonstrated time and again throughout our history.

Our corporate trust team are considered and careful in taking on new business. This disciplined approach has produced consistent profits for over a century. Our shareholders should understand that short-term swings in our revenue (and in turn our profit) may result from adopting a prudent approach to provisioning, as specific long-term default situations work their way through to a conclusion.

Market dynamics

Following the challenging operating environment in 2019, remarkably the onset of Covid-19 and the actions of policy makers provided a favourable operating environment for this business.

Primary market activity recovered well in 2020 and we were able to capture our fair share of roles on new bond issues. Our main market, Europe, had a particularly challenging 2019 with investment banking revenues down 14%, but recovered well in 2020 with debt issuance revenues up 21%.

Post issuance work increased materially as many businesses around the world saw their revenues severely challenged, or in some cases even evaporate completely, as economies went into 'lockdown'. While we have seen some bankruptcies, policymakers have provided a number of support mechanisms that have enabled businesses to stay afloat in some form or another. Unsurprisingly, this has led to a plethora of covenant waivers and restructuring type work. The longer-term position for many challenged companies and sectors remains unclear as the global economy works its way through this crisis.

Highlights

We took on a significant number of new appointments in 2020. We are proud to have been appointed by many of the UK's leading companies including BP, Legal & General, British Telecom and Vodafone for various roles.

Eliot Solarz, Head of Corporate Trust, continues to invest in his team and build on our reputation for technical knowledge, speed and innovation. We will always play to our strengths and are able to compete highly effectively against global banks for more complex products.

The growth of our escrow offering in 2020 was particularly pleasing. Many of our investors who have purchased a home may be familiar with the concept of an escrow. In the case of a house purchase often a solicitor receives execution documentation from the various parties involved (e.g. buyer/seller/bank/title company etc.) and the associated monies. Having satisfied themselves that all is in order, the solicitor then distributes the proceeds and documentation accordingly to the various parties. Eliot's team does not perform escrows for house purchases, but the principles that underpin his team's work in this area are in essence the same.

The demand for rapid responses to Covid-19 exposed many procurement processes as being cumbersome and overly engineered. Happily, our escrow offering, was able to move fast and respond to rapidly evolving demand. Particularly pleasing was the role that we played on several PPE related escrows,

Chief Executive Officer's review continued

as various NHS trusts looked to urgently source supply from around the world. In addition, we upped our profile on escrows related to M&A, pensions, litigation and commercial real estate transactions. Our escrow balances ended the year over five times higher than at the start of 2020.

In 1910, we were trustee to the Kansai Railway in Japan and we continue to support long dated infrastructure financing. In 2020, we were appointed as the security trustee to the IFC backed Almaty Ring Road in Kazakhstan.

We continue to build on our expertise to support financings in renewable energy, as demonstrated by the case study on Falck Renewables. In addition, as the year ended, we signed as Security Agent for the IFC/ADB backed Nur Novi solar power project in Uzbekistan.

As we mentioned in last year's review, social housing is an important and growing part of our book of business. We are thrilled to have been appointed as bond and security trustee on the £2.5 billion note programme launched by London and Quadrant during the year.

Falck Renewables SpA – first Italian equity-linked green bond

Our experience and knowledge in green finance was further enhanced in 2020. We were mandated as bond trustee on Falck Renewables SpA's offering of €200 million 0% senior unsecured equity-linked green bonds. Falck Renewables is a renewable energy company who design, build and manage plants that generate clean energy. They plan to use the bond proceeds to finance and/or refinance, in whole or in part, new or existing renewable energy assets with expected substantial environmental impact (Eligible Green Assets) in line with the 2018 Green Bond Principles published by the International Capital Markets Association and the May 2020 Green Loan Principles published by the Loan Market Association.

This was the first Italian green convertible bond and highlights our involvement in new and innovative products.

Outlook for our corporate trust business

As we have mentioned above, certain aspects of our corporate trust business are strongly countercyclical. Recent history tells us that, as the world economy recovered from the global financial crisis, our post issuance workload should remain at elevated levels for some time to come.

Levels of primary market activity are very difficult to predict. The see-saw of the past two years is clear evidence of this, and we have no crystal ball when looking at 2021. That said, we have a broad suite of products, deep and long standing relationships with clients, law firms and financial institutions, which give us confidence that we should continue to build on the gains made in our corporate trust business over the past three years.

Pensions

Our pensions business completed its fourth successive year of positive growth with revenues up by 8.3% for the year. We continue to invest heavily in this business.

Initially founded over 50 years ago as a pension trustee business, this remains very much at the core of our offering. More recently, we have expanded our governance offerings under our Pegasus brand to provide a much broader range of services from pensions secretarial through to fully outsourced pensions scheme management. We remain the largest and longest established independent professional pension trustee business in the UK.

Market dynamics

In the short-term, the stresses placed on the world economy by Covid-19 have further highlighted the need for best in class pensions governance. At precisely the same time that scheme assets and liabilities were experiencing extreme volatility, sponsoring employer covenants came under significant strain as operating conditions for many businesses were severely disrupted. With the need to rapidly move the administrative monthly payment of pensions to a robust and secure remote operating environment, the necessity for top quality scheme oversight was evident. That said, following a burst of activity in March and April in particular, the move to virtual meetings resulted in shorter meetings which reduced our time based charges. We expect that this will reverse somewhat as Government remote working requirements begin to fade away.

Over the medium-term, the Pensions Regulator's drive towards a smaller number of better governed defined benefit schemes continues to build momentum and plays to our strengths. Consolidation provides an opportunity for smaller schemes to enhance their governance. A larger asset base may well give a scheme the financial resources to employ a professional trustee. Put simply, we act for under 5% of the 5,500 defined benefit schemes in the UK so there is plenty of room to grow our market share in what we believe is a growing market.

While the negative effects of Covid-19 will hopefully only be temporary, the Pensions Regulator backed the expansion of stewardship definitions and the advancement of ESG investment agendas are looking increasingly permanent. Best in class standards are rapidly evolving. There is significant opportunity for us to help our clients stay ahead of the game as the investing world addresses the impact on the environment and on society in general.

Chief Executive Officer's review continued

Highlights

2020 was the year that our outsourced pensions executive service, Pegasus, came of age. Pegasus continued to see strong revenue growth in 2020 and we are confident that Pegasus will continue to increase our share of total pensions revenue. We have widely received positive feedback from our quickly growing client base. What has been particularly pleasing is our ability to execute relatively small appointments well, and nurture these into much broader relationships. Chief financial officers use tough operating conditions to focus capital allocation on activities that differentiate their specific company's offering while simultaneously outsourcing essential but non-core functions, such as Pensions Administration, where our Pegasus business can provide support to oversee such changes. Our Pegasus business has also fared well in the 'temporary staff' market where, for example, opportunities to provide maternity cover have added further strings to our bow. Our sole trustee solution continues to build momentum and resonates well with buyers looking for a 'one stop shop' approach to their governance needs.

On the trustee side we did much to enhance our reputation for innovation – see the adjacent case study on Premier Foods by way of example. Through transactions such as these we increasingly catch the eye of the discerning corporate buyer, not just the pensions team. We also executed well and added to our expertise in longevity swaps, buy-ins and buy-outs, such as the work we did for Baker Hughes (UK) and the British Bankers' Association. Increasingly too, we have much to offer clients as they navigate the tricky pensions waters that lap against M&A activity, such as the work we have been appointed to undertake for Cobham. Finally, and without wishing ill on any firm, our experience of dealing with distressed and restructuring type situations, in both the public and private markets, continues to grow significantly.

Outlook for our pensions business

A broad and stable set of foundations underpins the long-term growth potential of our pensions business. An aging population, a growing middle class, a relatively recent auto-enrolment regime and strong moves by regulators to professionalise the governance of schemes creates a sound platform on which to build. Our team is well placed to enable us to solve our clients' problems. Our reputation has been hard won over five decades. We will continue to invest in our people and nurture the next generation of problem solvers in this growing market.

I would like to thank Michael Chatterton, Head of Pensions, and Mark Ashworth, Chairman of Pensions, for encouraging their team to continuously produce advantageous outcomes for our clients.

Landmark pensions agreement between Premier Foods plc and Premier Foods Pension Scheme – significantly improving the Group's pension funding situation

This transformational agreement is testament to our Pensions clients 'getting things done with LawDeb', our expertise in restructuring and commitment to thinking holistically and collaboratively, involving all stakeholders. Shares in the branded foods maker, which makes Mr. Kipling cakes, jumped 17% on the announcement.

A segregated merger of all the Group's pension schemes, placing all the UK defined benefit schemes under one Trust was a strategy that LawDeb's Managing Director of Pensions and Chair of the Premier Foods Pensions Scheme, Michael Chatterton, was instrumental in taking to and working up with the company in the belief that this new pensions agreement represents a more secure future for the Group's pension scheme members.

The Board and pension trustees expect this will provide greater funding certainty for Premier Foods' pension schemes' members by leveraging the strength and scale of the successful RHM pension scheme investment strategy. The net present value (NPV) of the pension deficit contributions could reduce from the current £300m-£320m by approximately 45% to £175m-£185m. The merger also provides an opportunity to improve the security available to all the schemes involved.

Duncan Leggett, Chief Financial Officer of Premier Foods, commented, "This is an innovative and ground-breaking initiative to address pension funding that is delivering huge value for the members and for the company.

Law Debenture has been instrumental in working with the company to develop this strategy and help bring it to conclusion."

Corporate services

Overall the diversification within the IPS revenue streams served us well in 2020, but our corporate services businesses were adversely affected by the pandemic. This revenue stream consists of three components: our company secretarial and accounting offering, the Safecall whistleblowing business and our service of process business. Year on year revenues of £12.2m were broadly flat.

Chief Executive Officer's review continued

Market dynamics
Company secretarial and accounting

The growing market for company secretarial offerings is underpinned by three main factors. Firstly, ever increasing reporting demands on businesses from governments and regulatory authorities. Secondly, increased desire by corporations to focus their efforts on their particular unique value proposition and outsource critical but non-differentiating aspects of their business. Thirdly, the increasing speed of corporate lifecycles and ever-changing market dynamics hand an advantage to those organisations that can access new markets quickly and simply. Expertise combined with ease of use will remain at the core of our ability to effectively compete in this market.

Highlights
Company secretarial and accounting

We have been in this business in a modest way for well over twenty years and we understand it well. Our existing business, led by Mark Filer, grew soundly off a small base in 2020. Particularly noteworthy were roles on residential mortgage backed securitisations (RMBS), that we were appointed to for LendInvest, an increasingly disruptive property lending company in the UK. We further deepened our relationship with Atom Bank, a fast growing UK challenger bank, where we acted on their new RMBS issue. We were delighted to take on a significant piece of work with one of the largest pension schemes in the UK, the Universities Superannuation Scheme, to help them service an equity release funding platform. We also took on our largest ever company secretarial appointment to date on the back of a complex restructuring of a significant real estate portfolio.

On 29 January, 2021 we completed the acquisition of the company secretarial business of Konexo UK, a division of Eversheds Sutherland (International) LLP. This significantly expands our footprint in this exciting market.

We believe that we can increase our market share in this growing market, and we are confident that there are significant avenues for us to explore across our c.450 new clients with respect to other Law Debenture offerings. The acquired business is headed by Andy Casey. We have very much enjoyed welcoming our new colleagues to Law Debenture and look forward to working closely with them in the future.

Market dynamics
Whistleblowing

Regulatory frameworks continue to be established. The UK parliament had its first reading of The Office of the Whistleblower Bill in 2020 and in 2021 the European Whistleblowing Directive (the Directive) comes into force. The Directive requires that all European companies with over 50 employees and €10million in turnover have a whistleblowing solution in place. ISO37002 for Whistleblowing Management Systems is expected to be established in 2021. Despite the fact that this is a relatively new market, private equity investors have been quick to see its growth potential and have been consistently buying up operators and consolidating businesses. While many competitors have followed a lowest cost proposition based around call centre staff following scripts, our offering is based on highly trained employees who follow a clearly defined process. Issues raised by employees were at record levels as they used our service to flag concerns around working conditions in particular.

Highlights
Whistleblowing

We have received much unsolicited praise for our work during the year. Boards, General Counsels, Heads of Human Resource Management, Heads of Risk and Compliance and employers have seen real value in the quality and timeliness of our work. However, the period from March until June 2020 was dominated by a 'no new projects' mentality as potential buyers adjusted to the uncertainties caused by Covid-19. Sales picked up as the year progressed and we ended with roughly the same number and same annual contract values of new wins as the prior year. We ended the year with revenues up approximately 11.3%.

High quality clients that we were thrilled to onboard during the year included Brompton Cycles, Channel 4 (see the case study below), Co-op Food, Morgan Sindall and Wolseley (renamed Ferguson).

After 22 years at the helm Graham Long, who founded this business along with his late father Alan, will step back from the day-to-day running of this business during 2021. Safecall has been an amazing success story as Graham has taken this from just an idea to a market leading whistleblowing business that helps employees from well over 500 companies all over the world. As we look to accelerate our growth and adapt the use of technology to support this business, Graham felt that the next chapters should be written with the help of a fresh perspective. At this time, our search for a new Managing Director has just started and Graham will remain fully engaged to ensure a smooth transition. Our thanks to Graham, but not farewell just yet, as he will continue to be Non-Executive Chairman of the Safecall Board.

Forbes.com name checks Safecall: "UK Broadcaster Channel 4 Promote Whistleblowing Facility"

In July Forbes published news of Safecall's client, Channel 4, increasing its marketing of its whistleblowing service to allow easier access for production crews to call attention to incidents of racism, inappropriate or illegal behaviour, malpractice, bribery, fraud and flippancy around the new Covid-19 guidelines.

Channel 4 has been a Safecall client since 2015 and we are proud to work with them, as we do with organisations of all sizes, across various industry sectors globally, to ensure the successful implementation of our whistleblowing service.

Chief Executive Officer's review continued

> We are proud to have delivered a 117% increase in dividend payments over the last ten years with 42 years of increasing or maintaining dividends to shareholders.

Service of process

Our service of process business, headed up by Anne Hills, is the highest volume transactional business with the least recurring contractual revenues of all the IPS businesses. It is highly correlated to the global economic cycle. Contractions in the global economy mean that fewer commercial transactions are completed, which in turn reduces the demand for a service process agent to complete documentation. In 2020, we experienced our toughest year since the global financial crisis.

Our history over many economic cycles in this area gives us confidence that as the world economy recovers, so too will our revenues. Our referral network has been nurtured over many decades and is global. In the meantime, we continue to invest in enhancing our use of technology to create a seamless user experience for our clients in this high volume business.

Outlook for our corporate services business

We believe that the governance services businesses that combine to make up our corporate services offering all operate in markets that have sound long-term growth prospects. They are, after all, elements that make up the "G" in ESG. However, 2020 reminds us that even the most robust long-term businesses are not immune from unexpected short-term challenges. We have held our nerve and increased our investment in these business at a time when many competitors could simply not afford to do so, with the aim of ensuring we can meet the needs of our customers simply and to the highest of standards.

Technology

If 'Covid' was the word of the year for 2020 then 'Zoom' must be a close second. If we could have received a pound for each time we said "you're on mute", we would have all done rather well. Surely one of the largest gains that the global economy will benefit from, as we emerge from the Covid-19 crisis, is the crash course in technology that we all received as we transitioned to fully remote working in March 2020. It was the digital era's equivalent of a rapid mass literacy program.

I am delighted to report that our own technology platform was up to the challenge. Having joined us in December 2018 our Chief Technology Officer (CTO), David Williams, was front and centre in ensuring that, after 131 years of being on site, our business was able to seamlessly transition to a virtual existence. Under David's leadership, our growing technology team has transitioned much of our outdated hosted infrastructure to cloud-based services.

These changes bring an increased scale to our operations and enhance our controls and security.

We are increasingly agile users of third party software applications to support our various businesses. We have also invested significantly in customising platforms to both simplify and improve our clients' user experience.

This past year saw the launch of a number of initiatives for our Safecall business. Potential clients can now purchase our Safecall whistleblowing services online. In addition, we have a suite of e-learning modules that clients can roll out to all staff that covers everything from the basics through to training for managers in how to appropriately handle whistleblowing cases. We rapidly shifted classroom based training to online to meet client demand, hosting 15 such events in the second half of 2020.

These gains are hard earned, but we must quicken our pace of change. As we start 2021, we are determined to further enhance our operational efficiency and resilience, and to creatively evolve our products and services. We expanded our IT team in 2020 and will do so again in 2021. Increasingly, we are using technology to interface with our clients and our future success will depend on our ability to satisfy their rapidly accelerating demands.

Property

2020 was certainly an interesting year for the lease on our Head Office to expire. After plenty of searching we settled on a new lease for premises at 100 Bishopsgate, EC2N 4AG. Despite the challenges of 2020, this move was successfully completed during the year.

The new building has excellent transport links as it is situated across the street from Liverpool Street station. Importantly, the building has been designed to limit its impact on the environment, as shown on the diagram on page 17.

An unintended consequence of the eleven months since lockdown last March has been a most thorough test of our remote working environment. It is clear we are able to work from home. Some staff felt that there were productivity gains when the need arose to avoid distractions and spend an extended period to complete a complex piece of client work. However, it is also clear that to work optimally we must retain a modern fit for purpose office environment. We are collectively more efficient and creative. We benefit from collaboration and we have more fun.

Chief Executive Officer's review continued

Photo credit: Jason Hawkes

In 2021, when Government guidance encourages a return to the workplace, we plan to allow employees to work up to two days per week from home with their manager's approval. This allows our staff to retain flexibility and keep the gains of periodic remote working, while ensuring that for the majority of our time we are in a communal environment where we are most effective.

Given our change in work patterns, our shift of much of our IT infrastructure to cloud-based services, and the huge digitalisation initiative, we were able to reduce our physical footprint by approximately one third.

Like a house move, an office move provides a wonderful opportunity to throw things away. In common with many professional services firms we had paper everywhere. It was a huge one-off project but we were able to digitalise many decades worth of materials. This makes retrieval easier, reduces demand for physical storage space and reduces our costs.

As part of this process, we uncovered many items which showcased our rich history. These included a glorious 999 year lease on a property complete with wax seal signed six weeks before the Battle of Waterloo. Sadly the lease was not ours, rather it belonged to a client.

Having moved in during early December, we look forward to welcoming our staff and our clients to our new space as 2021 unfolds.

Prospects

Although it is impossible to predict when global economies and our everyday lives will return to normal post the turmoil that Covid-19 has brought, I remain optimistic in our longer-term outlook. Your Company is resilient and prospects remain bright with a strong and dedicated team.

We closed the year in a solid position, despite the economic turmoil. Your Company continued to execute against its stated strategy of growing the IPS business. We acquired the company secretarial business of Konexo UK, taking an important step forward to cement our position in a growing and attractive sector. This strengthens our IPS business and its longer-term earnings outlook. We look forward to continuing to grow and develop the IPS business and build greater market share by seeking to further capitalise on the significant market opportunities available through both organic investment and disciplined acquisitions, where appropriate.

Over the last three years we have shown an IPS compound annual growth rate (CAGR) of 8.3% and 9.1% respectively for revenue and earnings per share. There have been ups and downs by individual area but this correlates well with our mid to high single digit medium-term growth ambition.

It is in challenging times like these when good judgement and extensive knowledge is critical to a successful investment strategy and I am grateful that Law Debenture has been able to benefit from both James's and Laura's expertise and experience. I am confident that their focus on selecting strong business models and attractive valuation opportunities, coupled with a deep understanding of companies and industries, will enable them to continue to position the equity portfolio for future longer-term growth and outperformance.

On behalf of the Board, I would like to thank our shareholders for their continued support and confidence in our abilities during a particularly tumultuous time. At Law Debenture, we greatly value our culture and close partnership with clients. I would also like to express my deepest thanks to our employees; their commitment has shone through. I look forward to keeping you updated on the Group's future operational and strategic achievements.

Denis Jackson
Chief Executive Officer
25 February 2021

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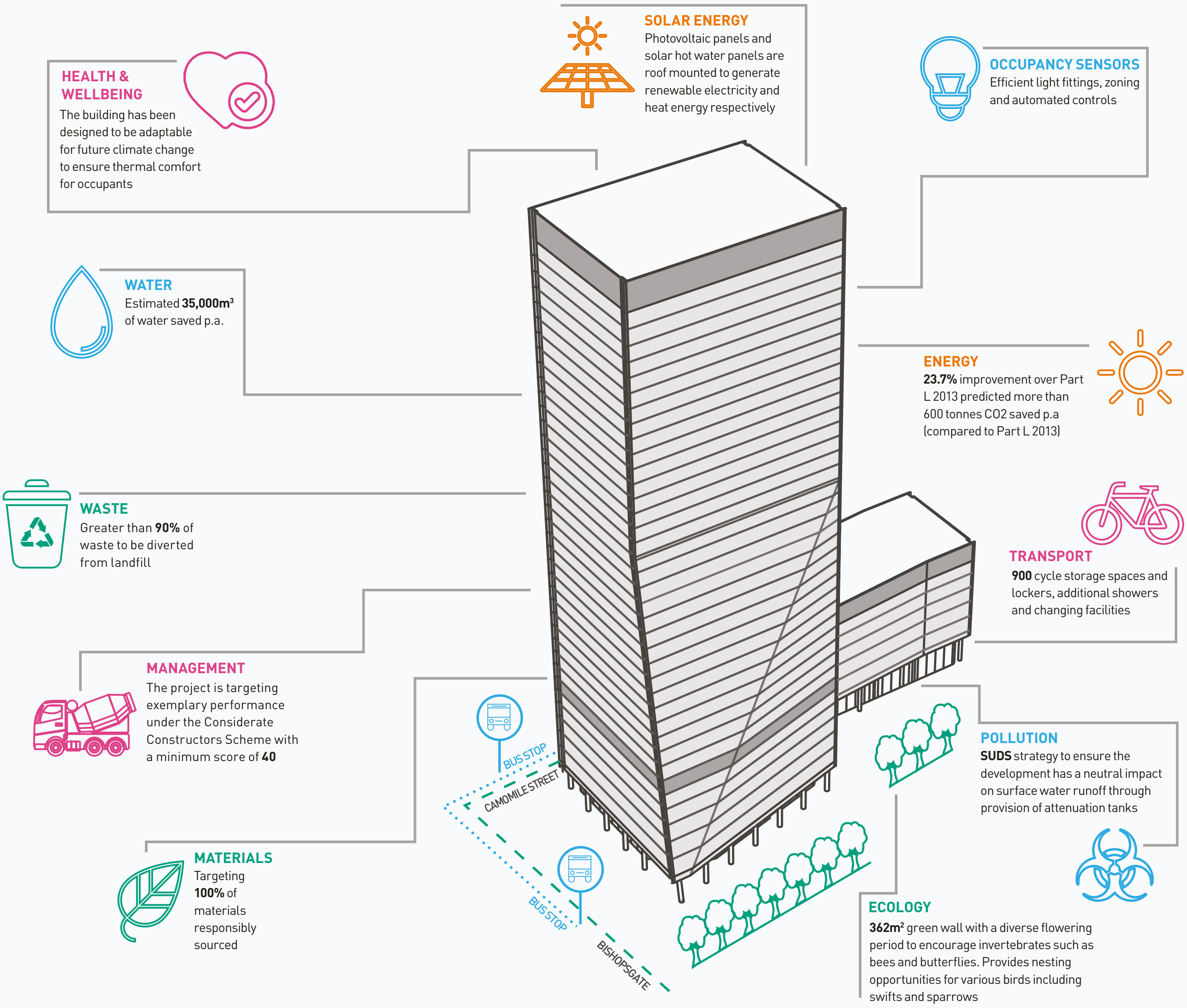


Investment managers' review

The equity portfolio

In a wholly unpredictable year, diversity within the investment portfolio was particularly important. This portfolio benefitted from its aim to be a 'one stop shop' for investors, by holding equities in a deliberately diverse collection of well-managed, market leading companies. While the majority of the portfolio (82%) was invested in the UK at year end, much of underlying revenues from the portfolio were derived from overseas. In addition to geographic diversity, the long list of holdings, 137 at year end, alongside the broad range of end market operations, meant that the portfolio held enough beneficiaries from the current environment to show growth of 3.6% in absolute terms during the year, while the FTSE All-Share benchmark fell 9.8%. We will go on to discuss the largest contributors to performance in greater detail, but the need to decarbonise the global economy and the shift of much of consumer spending to online were common themes among the best performers.

> We increased our leverage and repositioned our holdings over the course of the year to take advantage of comparatively low valuations within the UK market, particularly for domestic stocks.

By the calendar year end we were roughly neutral net investors within the portfolio. However, during the course of the year we invested heavily in the Spring and, by the end of March, had invested £36.8m (net). This net investment was then gradually reduced as valuations rose, particularly in the final month of the year. Geographically, sales were concentrated in North America, where on a net basis we sold £30.5m during the year, while purchases were concentrated in the UK, where on a net basis we purchased £24.8m. This geographic difference was not driven by a macroeconomic view. The US stocks sold during the year, such as Microsoft, had on average performed well and were trading on high valuations versus history, while we were finding a number of attractive valuation opportunities in the UK.

Our investment strategy

We take a bottom-up approach, spending a great deal of time with the management teams of our portfolio companies, conducting detailed analysis of the strengths, weaknesses and growth prospects of those companies into which we invest your money. Were there to be a common theme amongst the diverse portfolio, it would be that the majority of companies held are market leaders in the product or service they are providing. This market leadership could be in the UK or on a global scale; it could be a small niche market such as UK paving stones (Marshalls) or a large global market such as oncology drugs (Bristol-Myers Squibb). What we are looking for is companies with excellent products or services and with experienced management teams that can help navigate different market environments.

We are patient with our positions and invest for the long-term. We build up positions gradually. Having taken the decision to invest in a stock, we typically begin by investing around 30bps of overall net asset value, and then add to this over time, depending upon the risk profile of an individual stock.

Our long list of stocks allows us to moderate our position size where we perceive the investment case is higher risk than may be the case elsewhere in the portfolio. This means that we take a risk-based approach to our position sizing, while ensuring that, if we get something right, the sizing is sufficient to influence the portfolio performance as a whole. Our patience keeps our portfolio turnover low, reducing the drag of dealing costs on returns to our investors. That patience has rewarded our shareholders; over 10 years, the portfolio has outperformed the benchmark index by 69% (valuing debt at par).

ESG considerations in our investment strategy

Responsible investing, incorporating ESG, has always been an integral feature of our process as we are long-term investors. Therefore any material ESG issues are also material to the investment case. These issues are of growing prominence to both investors and companies and whilst they have always been an implicit part of the investment process, we are now explicitly both monitoring internally and discussing with company management teams any particular issues of concern. We have decided not to explicitly exclude any sectors, partly because the data quality on the more difficult to measure environmental

Investment managers' review continued

	1 year %	3 years %	5 years %	10 years %
NAV total return (with debt at par)[1]	3.6	15.6	59.1	147.8
NAV total return (with debt at fair value)[1]	2.0	13.2	53.0	134.7
FTSE Actuaries All-Share Index total return[2]	(9.8)	(2.7)	28.5	71.9

1 NAV is calculated in accordance with AIC methodology, based on performance data held by Law Debenture including fair value of IPS business. NAV total return with debt at par excludes the fair value of long-term borrowings, where NAV total return with debt at fair value includes the fair value adjustment.
2 Source: Refinitiv Datastream, all references to 'FTSE All-Share' and 'benchmark' in this review refer to the FTSE Actuaries All-Share Index total return.

and social area is not robust, and partly because, in our view, it is better to engage with companies to encourage better practices rather than to sell the shares. In addition to monitoring the risks associated with ESG issues, we also aim to invest in companies that are seeking positively to address these challenges, such as the need to decarbonise the economy. One such area is hydrogen fuel cells, and portfolio performance this year has benefitted from exposure to this area.

Overview of 2020

The lessons the authorities learnt in the financial crisis of 2008/9 proved invaluable in dealing with the crisis brought about by Covid-19. Co-ordinated quantitative easing and fiscal stimulus saved the global economy from the extreme fall-out that might have happened as businesses were forced to close their doors as 'lockdown' was imposed. The authorities' actions stabilised markets and Law Debenture's asset value was virtually unchanged on the year. The economy and its outlook, however, were impacted dramatically and we saw a rapid acceleration of existing structural trends. For instance the move in retailing from physical stores to online was already happening but it received an extraordinary boost. The desire for decarbonisation of the economy was well in motion but again the progression has been rapidly advanced by the desire to rebuild a more sustainable environment after the pandemic. These trends have had a massive effect on equity prices, with the best performing areas of the portfolio being in companies that are working towards the goal of decarbonisation, and the worst being the property companies that own retail space, along with aerospace companies.

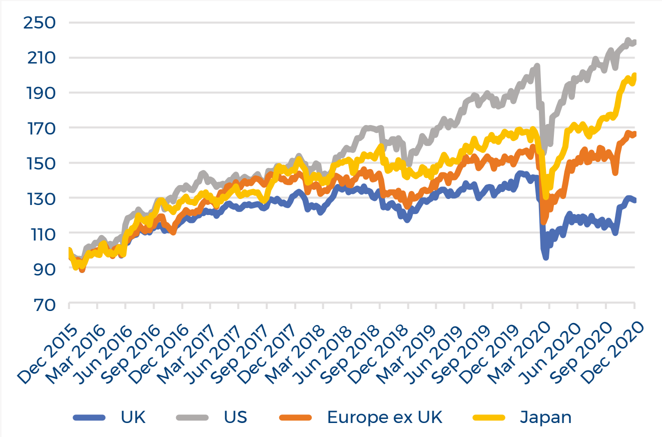
Economic backdrop

The UK economy contracted violently in March as the virus took hold and 'lockdown' was enforced. The gradual easing of restrictions saw a rapid recovery in economic activity that was further aided by the prospect of a limited free trade deal with the European Union. However, by the year end the re-imposition of 'lockdown' meant the pick-up in activity lost momentum. During this period there has been an extraordinary shift to private saving and the state increasing its borrowing. This can be done as interest rates remain very low. However, a great deal of production has been lost, some capital spend programmes have been deferred and unemployment has risen. The economy has materially shrunk; UK GDP on consensus is estimated to have contracted 11.3% in 2020. Some economic activity will recover relatively quickly. However, higher government debt and the losers from structural change in consumer behaviour will remain long-term issues for the economy. In this economic environment we need to be invested in companies that have a credible way forward to deal with a testing economic backdrop.

UK market backdrop

Prior to 2020, the UK equity market had underperformed other developed equity markets in the period following the EU referendum vote in 2016. 2020 was no exception, meaning that over a five-year period the UK equity market has underperformed Continental Europe by 38% and the US by 90%.

THE UK HAS UNDERPERFORMED OTHER GLOBAL EQUITY MARKETS

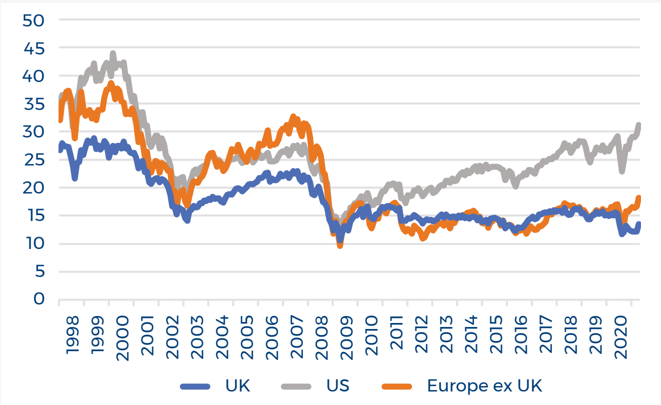


Source: Refinitiv Eikon. £, total return, rebased to 100 as at 31st December 2015. Indices used – FTSE All-Share, S&P 500, MSCI Europe ex UK, Nikkei 225.

The reasons for this underperformance include the uncertain future trading relationship with the EU and the sector composition of the UK market, with comparatively more in underperforming sectors such as energy, and comparatively less in outperforming sectors such as technology. During 2020 there was also a larger contraction in UK GDP following the pandemic than in other major economies. With the UK economy forecast to grow strongly in 2021 (5.3% on consensus numbers), and a free trade agreement on goods reached with the EU, these overhangs on the UK equity market could be lifting at a time when UK companies are trading at a stark valuation discount to their global peers. The above graph shows the discount of the UK market relative to the US and Europe on cyclically adjusted price/earnings. The UK also trades at a discount using other valuation methods such as price/book.

Investment managers' review continued

CYCLICALLY ADJUSTED P/E ACROSS REGIONS



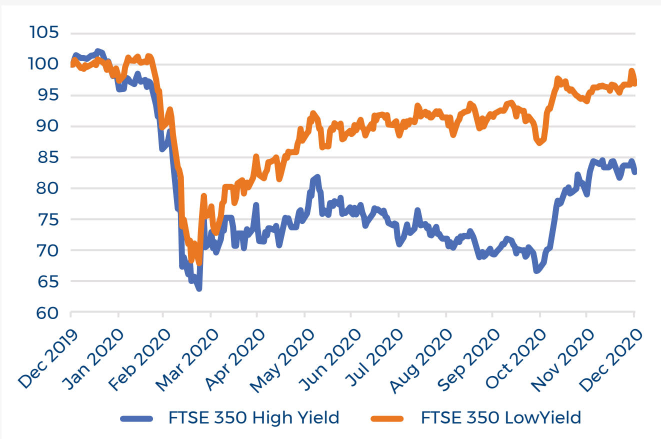
Source: Refinitiv Eikon as at 7 December 2020. Indices used: UK – FTSE All-Share, US – FTSE North America, Europe ex UK – FTSE Europe ex UK.

Income backdrop

In prior years, we have emphasised the unique advantage of Law Debenture's structure, with the income generated by the IPS business allowing greater flexibility to invest in lower or zero dividend yield stocks within the investment portfolio. This allows us to focus on capital generation, while knowing that historically approximately a third of the Trust's income has been provided by the IPS business. In a year when investment income fell 38% to £18.1m (2019: £29.2m) as a result of the pandemic (approximately in line with the fall seen in the wider UK market), this greater flexibility provided by the growing income from the IPS business helped the Trust from both an income and a capital perspective.

From a shareholder perspective, the share of Group income generated by the IPS business this year grew to 43.4%[1]. Therefore the fall in investment income was partially offset by growing income from the IPS business. This, combined with the large historical revenue reserve, allowed the Board to confidently grow the dividend 5.8% year on year.

COMPARATIVE PERFORMANCE OF THE FTSE 350 HIGH YIELD INDEX AND THE FTSE 350 LOW YIELD INDEX



Source: Refinitiv Eikon. £, total return, rebased to 100 as at 31 December 2019.

From a capital perspective, the below-benchmark portfolio yield at the start of 2020 insulated the portfolio from being overly exposed to among the worst performers last year. The best illustration of this is the comparative performance of the FTSE 350 High Yield index and the FTSE 350 Low Yield index last year, where it can be seen that on average higher yielding stocks substantially underperformed.

While 2020 was a challenging year for UK dividends, in the latter half of the year there were reasons for optimism on the UK dividend outlook. Many companies held in the portfolio which had suspended dividends in the first half of the year, chose to resume paying and in some cases catch up on missed payments. In the banking sector, while dividends remained forcibly suspended by the regulator, there were clear indications from management teams that when restrictions were lifted they would seek to resume dividends. Following updated guidance from the regulator, we expect modest dividends to resume.

In 2021, we expect investment income from the portfolio to rise, but not to reach 2019 levels. Some companies held, including Royal Dutch Shell and BP, have permanently rebased their dividends lower as they seek to transition their portfolios gradually away from fossil fuels towards renewable energy. Other companies (such as those exposed to the aerospace industry) continue to have limitations on their trading as a result of the pandemic and therefore will not return to paying dividends until 2022 at the earliest.

Top five contributors

The following five stocks produced the largest absolute contribution for 2020:

Stock	Share price total return (%)	Contribution (£m)
Ceres Power	403.8	33.5
ITM Power	626.1	13.3
Herald Investment Trust	51.7	6.0
Rio Tinto	21.5	3.6
Royal Mail	49.2	3.4

Source: Share price total returns from Bloomberg, all in £.

Portfolio attribution

There were broadly two themes to the best performers during the year; companies exposed to the need to decarbonise the global economy, and companies exposed to the shift of much of consumer spending online.

Ceres Power, which designs hydrogen fuel cells, and **ITM Power**, which produces electrolysers that can be used to generate 'green

1 Calculated on IPS contribution to total earnings per share for year end 31 December 2020.

hydrogen' from renewable energy, were both among the best performers. In both cases the technology has existed for some time, but one of the catalysts for the shares performing well was they both received external validation from strong commercial partnerships; Ceres agreed a manufacturing licence agreement with Bosch, and later in the year Doosan in South Korea, while ITM Power formed a partnership with industrial gas producer Linde. These commercial partnerships came at a time when many developed economies are increasingly willing to make substantial investments in 'green technology' in order to meet future environmental targets.

Both **Herald Investment Trust** and **Royal Mail** benefited from the accelerated move 'online' in 2020. Herald invests predominantly in technology shares, which performed exceptionally well last year as businesses shifted to working remotely and were increasingly reliant on cloud computing, and consumer spending moved increasingly online. Royal Mail had for many years seen a gradual decline in letters and an increase in parcel delivery; this trend was accelerated last year, allowing them to progress with their reconfiguration of the delivery network and reallocation of costs towards parcels.

Top five detractors

The following five stocks produced the largest negative impact on the portfolio valuation for 2020:

Stock	Share price total return (%)	Contribution (£m)
Royal Dutch Shell	(43.8)	(12.3)
Hammerson	(82.4)	(9.2)
GlaxoSmithKline	(20.6)	(7.3)
BP	(46.0)	(6.9)
HSBC	(36.0)	(5.7)

Source: Share price total returns from Bloomberg, all in £.

The worst performing stocks during the year were broadly those exposed to a fall in economic activity, whether via the fall in the oil price as transportation fuel demand fell markedly (**Royal Dutch Shell**, **BP** in the table above) or those exposed to further declines in already low interest rates and uncertain loan losses (**HSBC**). **GlaxoSmithKline** in the table above is the exception to this, with earnings expectations remaining largely unchanged during the year as a result of its defensive end markets (vaccines, pharmaceuticals and consumer healthcare). The underperformance could be due to lower earnings growth than pharmaceutical peers as they continue to invest heavily in research and development in order to improve their pipeline. We continue to view this as a long-term opportunity and it remains a top ten holding.

Portfolio activity

What we have been buying

The most material decision during the year was to be net investors during the peak of the market weakness in Spring. March was the most active month for net investment, where we invested an additional £14.8m in the portfolio.

The investment process aims to identify market leading, well-managed businesses and invest at the point of which they are out of favour. There was an abundance of these opportunities during the Spring. We invested broadly, adding to both existing positions such as **Aviva**, and establishing new positions such as **Anglo American** and **Marks & Spencer**. While there was deliberately no commonality in these additions in terms of geography or end-market exposure, we focused purchases on companies that would benefit from a global economic recovery following the pandemic. This modest shift in the portfolio towards sectors that are more cyclical can be seen in the sector composition at year end, with a higher weighting in, for example, materials and oil and gas than the previous year. It is also evident in the top five purchases detailed below, which are spread between financials, materials and oil and gas.

What we have been selling

Sales during the year were predominantly for either valuation reasons or driven by corporate activity. For example **Microsoft**, which had for a number of years been the largest overseas holding in the portfolio, performed well following the pandemic and in our view there were better valuation opportunities elsewhere. **Ceres Power** was reduced following strong performance, partially in order to fund other investments in the alternative energy sector such as **AFC Energy**.

In our view the long-term positives of the UK market have been forgotten with the political uncertainty in recent years, but continue to represent a valuation opportunity for long-term investors. We therefore remain happy with approximately 80% of the portfolio invested in the UK as at the end of December.

Investment managers' review continued

The position in insurer **RSA** was sold following a takeover offer from overseas peers. Towards the end of the year there was a notable pick-up in takeover activity in the UK, with another of the portfolio's holdings (**Elementis**) also receiving a takeover approach. This is a theme that we expect to continue in the current year while there continues to be a valuation gap between UK and other developed equity markets.

Five largest purchases

The largest five purchases during the year are detailed below:

Stock	Total purchased (£m)
M&G	7.4
Barclays	7.1
Anglo American	6.9
Aviva	6.7
BP	6.3

Five largest sales

The largest five sales during the year are detailed below:

Stock	Total sold (£m)
Ceres Power	21.4
AstraZeneca	13.3
Flutter Entertainment	12.0
Microsoft	10.9
RSA Insurance	10.7

Outlook

Structural changes that are happening in the economy throw up opportunities, as well as severe challenges for companies. The speed of the change has accelerated as a result of Covid-19, but reflects the longer-term trend that intellectual capital has been replacing physical assets as the driving force for corporate success. The shelf life of intellectual capital can be short. This is the reason behind the need for an active rather than a passive approach to portfolio management. We will retain a broad and relatively long list of stocks. We are always on the lookout for stocks that are reasonably valued and have characteristics that cannot be found in the UK. The focus, though, will be predominantly in the UK as this is where value can be found. The companies will be serving a wide range of end markets. Diversity is important in order to achieve a reasonable level of consistency in returns.

The companies held are adapting to the challenging economic backdrop. The key is to have excellent products and services that remain relevant to the customer. This usually means an emphasis on research and productive capital expenditure. Therefore the portfolio is about the individual companies, and it is not a proxy for the economy. The overall valuation of the stocks held remains undemanding using history as a guide. Therefore, the intention is to retain a reasonable level of gearing so that the portfolio is fully exposed to the opportunities that can be found in the equity market.

James Henderson and Laura Foll
Investment managers
25 February 2021

Investment managers ESG case study: Severn Trent

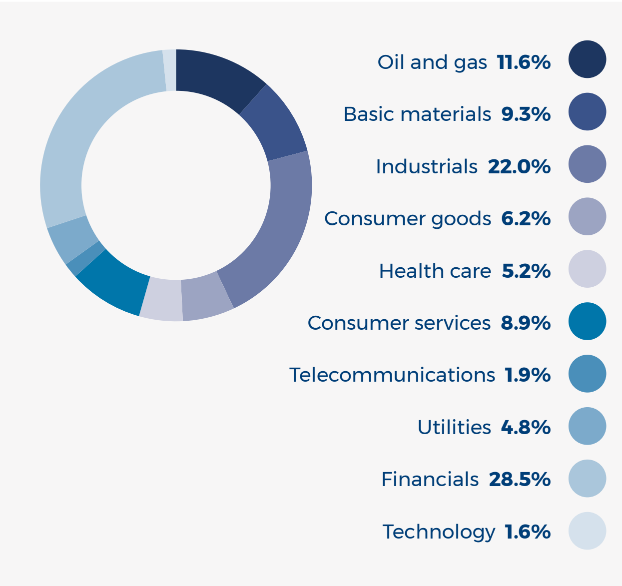
The investment managers held a call in 2020 with the new Chair of water company Severn Trent covering a broad range of ESG issues, including board composition and succession planning, human capital, health and safety, customer service and climate change. Severn Trent is using a 30-year time horizon to model detailed climate and weather predictions. The company saw increased water consumption during the warm weather in 2020, while the shift to working from home has also seen a change in consumption patterns. As a result, the company is building more resilience into their systems.

Severn Trent has strong leadership across the senior executive team and was well prepared to respond to the challenges presented by Covid-19. The UK Government is seeking advice from the CEO on how to manage a company in a socially distanced environment. While the water sector has faced significant controversies over the industry's track record for customer service and environmental management, we regard Severn Trent as an industry leader on ESG issues.

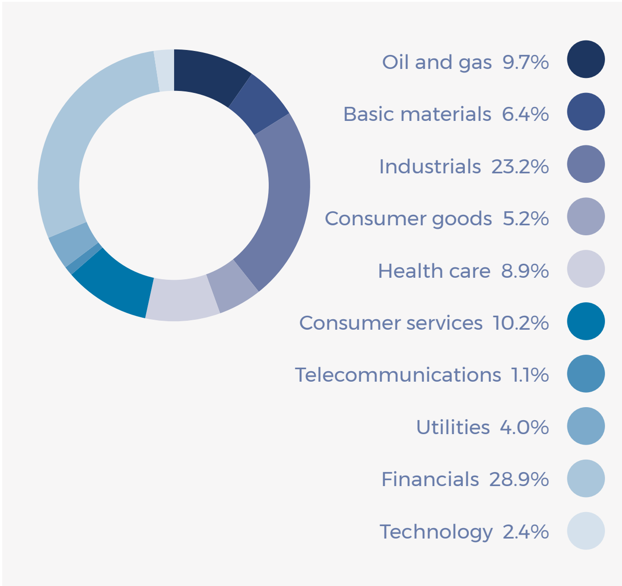
Photo credit: Jason Hawkes

Portfolio by sector and value

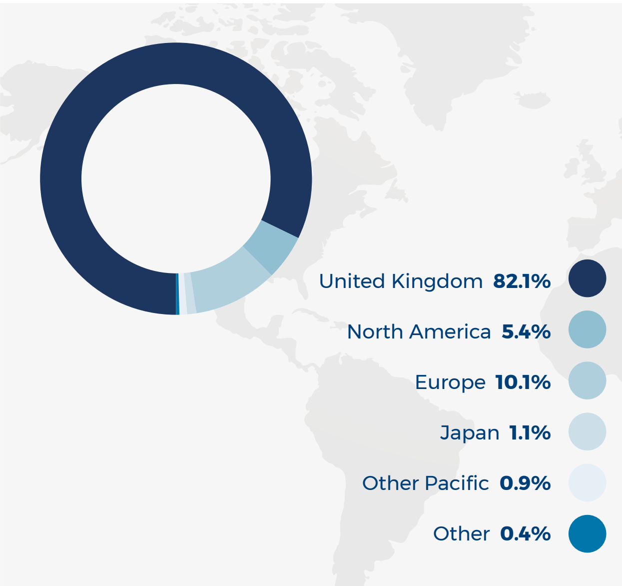
Portfolio by sector 2020



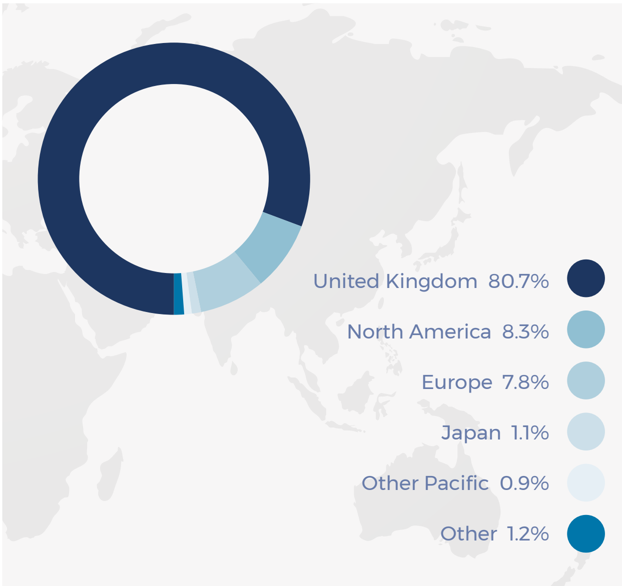
Portfolio by sector 2019



Geographical distribution of portfolio by value 2020



Geographical distribution of portfolio by value 2019



Fifteen largest holdings: investment rationale

as at 31 December 2020

Rank 2020	Company	% of portfolio	Approx Market Cap.	Valuation 2019 £000	Purchases £000	Sales £000	Appreciation/ (Depreciation) £000	Valuation 2020 £000
1	**Ceres Power**	2.99	£2.7bn	12,052	–	(21,368)	33,513	24,197

Ceres Power operates as a fuel cell technology and engineering business. The technology is fuel flexible and is licensed to partners including Bosch, Weichi, Minra and Doosan. Therefore, strong revenue growth is expected in coming years. The desire to push towards lowering carbon emissions drives the need for fuel cell technology to be adopted. Their fuel cell is being used to power buses in China as well as data centres in the UK. The adoption of this new technology is rapidly spreading.

Rank 2020	Company	% of portfolio	Approx Market Cap.	Valuation 2019 £000	Purchases £000	Sales £000	Appreciation/ (Depreciation) £000	Valuation 2020 £000
2	**GlaxoSmithKline**	2.77	£70.2bn	29,792	–	–	(7,314)	22,478

GlaxoSmithKline is one of the world's largest pharmaceutical, vaccine and consumer healthcare companies. GSK currently trades at a discount to the global pharmaceutical sector. Whilst they have world leading consumer healthcare and vaccines businesses, the pharmaceutical division has lagged behind others, for example in innovative oncology drugs. With a new CEO in place, along with a new Head of Pharmaceuticals and a new Head of Research, they are re-investing in research and development and focusing on innovative products. Given the long development time within pharmaceuticals it will take years for this change to become fully evident but we are seeing early stages of an improved drug pipeline.

Rank 2020	Company	% of portfolio	Approx Market Cap.	Valuation 2019 £000	Purchases £000	Sales £000	Appreciation/ (Depreciation) £000	Valuation 2020 £000
3	**Rio Tinto**	2.53	£77.2bn	16,884	–	–	3,628	20,512

Rio Tinto is one of the world's largest mining companies with a particular focus on iron ore, aluminium and copper. Their mines are well positioned on the cost curve, often at the lowest cost quartile globally, meaning that they can continue to be highly cash generative despite volatile commodity prices. This cash generation combined with a strong balance sheet has resulted in an attractive ordinary dividend payment, combined with some special dividends in recent years. Dividends have continued to be paid in 2020 despite a volatile demand backdrop for commodities.

Following the Juukan Gorge site destruction, Janus Henderson extensively engaged with the Rio Tinto board and management team. We continue to be of the view that Rio has high levels of corporate governance relative to mining peers and took appropriate action following the disaster to replace management and improve standards.

Rank 2020	Company	% of portfolio	Approx Market Cap.	Valuation 2019 £000	Purchases £000	Sales £000	Appreciation/ (Depreciation) £000	Valuation 2020 £000
4	**Herald Investment Trust**	2.16	£1.4bn	12,580	–	(1,073)	5,998	17,505

Herald is a global technology focused investment trust managed by Katie Potts, who launched the Trust in 1994. Its technology focus brings worthwhile diversity to the portfolio and it has been an excellent performer over time.

Rank 2020	Company	% of portfolio	Approx Market Cap.	Valuation 2019 £000	Purchases £000	Sales £000	Appreciation/ (Depreciation) £000	Valuation 2020 £000
5	**Royal Dutch Shell**	1.94	£52.2bn	27,994	–	–	(12,251)	15,743

Royal Dutch Shell is a vertically integrated oil and gas company. Following a fall in the oil price in 2020, the Board took the decision to rebase the dividend by two thirds and further reduce capital and operating expenditure. At the rebased level the dividend is covered by free cash flow at the current oil price and is in a position to grow if the oil price recovers. Shell are perceived to be among the leaders within integrated oil and gas companies in the transition to renewable energy. We expect further detail on their renewable energy strategy early in 2021.

Rank 2020	Company	% of portfolio	Approx Market Cap.	Valuation 2019 £000	Purchases £000	Sales £000	Appreciation/ (Depreciation) £000	Valuation 2020 £000
6	**BP**	1.79	£60.8bn	15,091	6,285	–	(6,852)	14,524

BP is a vertically integrated oil and gas company. Under a new CEO, BP have announced ambitious plans to reach net zero carbon emissions by 2050 and gradually transition away from fossil fuels towards renewable energy. The cash generation from their oil and gas business should enable this transition to take place, while also continuing to fund cash returns to shareholders via dividends (and likely share buybacks in the future).

Rank 2020	Company	% of portfolio	Approx Market Cap.	Valuation 2019 £000	Purchases £000	Sales £000	Appreciation/ (Depreciation) £000	Valuation 2020 £000
7	**Prudential Corp**	1.55	£37.1bn	13,506	–	–	(925)	12,581

Prudential Corp is a leading provider of insurance products in Asia, with additional operations in the US. In 2019 Prudential spun off its M&G division, which constituted its UK business. This brings a clearer focus to the company and enhances its growth prospects. The savings market in Asia is immature and has strong growth drivers. In our view the franchise value of their Asian business is not fully reflected in the current share price. The business will simplify further as they plan to list a portion of their US business on the market in early 2021.

Rank 2020	Company	% of portfolio	Approx Market Cap.	Valuation 2019 £000	Purchases £000	Sales £000	Appreciation/ (Depreciation) £000	Valuation 2020 £000
8	**National Grid**	1.5	£30.1bn	13,307	–	–	(1,118)	12,189

National Grid are a regulated utility company with operations in both the UK and the US. The need to reduce global carbon emissions is likely to increase demands on electricity networks and this could lead to faster regulated asset growth in future driven by the need to increase grid capacity. The position brings defensive qualities and continues to pay an attractive dividend yield.

Fifteen largest holdings: investment rationale continued

as at 31 December 2020

Rank 2020	Company	% of portfolio	Approx Market Cap.	Valuation 2019 £000	Purchases £000	Sales £000	Appreciation/ (Depreciation) £000	Valuation 2020 £000
9	**Morgan Advanced Materials**	1.47	£0.9bn	11,095	974	–	(95)	11,974

Morgan Advanced Materials is a specialist materials producer for a wide variety of end markets including transportation, healthcare, industrials and semiconductors. Under a relatively new management team they have simplified the business via divestments, strengthened the balance sheet and invested in new product development. Industrial end markets in 2020 were challenging. However, management have responded to end market weakness by permanently reducing costs such as closing manufacturing facilities. In our view, when sales recover the margins generated will be higher than prior to the pandemic.

Rank 2020	Company	% of portfolio	Approx Market Cap.	Valuation 2019 £000	Purchases £000	Sales £000	Appreciation/ (Depreciation) £000	Valuation 2020 £000
10	**HSBC**	1.46	£83.1bn	15,606	1,955	–	(5,680)	11,881

HSBC are a global bank with a substantial presence in Hong Kong and mainland China. Their geographic focus brings worthwhile diversity to the portfolio. As a result of Covid-19 they have suspended their dividend following guidance from the regulator, and the level of future loan impairments is difficult to forecast. However, the shares are trading at a material discount to book value which, in our view, suggests a degree of uncertainty is already reflected in the share price. The new management team also have a 'self-help' opportunity to scale back their relatively lower returning US and European businesses in order to improve the overall group returns.

Rank 2020	Company	% of portfolio	Approx Market Cap.	Valuation 2019 £000	Purchases £000	Sales £000	Appreciation/ (Depreciation) £000	Valuation 2020 £000
11	**ITM Power**	1.41	£3.0bn	2,295	1,160	(5,285)	13,318	11,488

ITM Power designs and manufactures integrated systems for energy storage and clean fuel production. It is a world leader in electrolysis, allowing 'green hydrogen' to be produced using electricity from renewable energy and water. Their products should allow ITM Power to capture growth from increased hydrogen usage. A large new plant will be commissioned this year to satisfy growing demand with their project partner, Linde.

Rank 2020	Company	% of portfolio	Approx Market Cap.	Valuation 2019 £000	Purchases £000	Sales £000	Appreciation/ (Depreciation) £000	Valuation 2020 £000
12	**Severn Trent**	1.41	£5.6bn	12,575	–	–	(1,135)	11,440

Severn Trent is a UK water utility. It is one of the best quality water companies in the UK on metrics such as preventing leakages as it has a well invested network. The position brings defensiveness to the overall portfolio and the dividend yield remains attractive.

Rank 2020	Company	% of portfolio	Approx Market Cap.	Valuation 2019 £000	Purchases £000	Sales £000	Appreciation/ (Depreciation) £000	Valuation 2020 £000
13	**Accsys Technologies**	1.37	£0.3bn	8,218	–	–	2,913	11,131

Accsys Technologies focuses on the sustainable transformation of wood through acetylation (creating a natural sealant to protect against erosion). It is scaling up production with a new plant, which will be commissioned in 2021, to satisfy the strong demand for their products.

Rank 2020	Company	% of portfolio	Approx Market Cap.	Valuation 2019 £000	Purchases £000	Sales £000	Appreciation/ (Depreciation) £000	Valuation 2020 £000
14	**Aviva**	1.36	£13.6bn	5,380	6,665	–	(1,037)	11,008

Aviva is a diversified insurer that writes life and non-life insurance. Under a new chief executive, they are focusing the business on geographies where they have strong market positions and are divesting assets in more peripheral geographies. The shares trade with a conglomerate discount relative to insurance peers and a more focused group would, in our view, merit a higher valuation. The shares continue to pay an attractive dividend yield to shareholders.

Rank 2020	Company	% of portfolio	Approx Market Cap.	Valuation 2019 £000	Purchases £000	Sales £000	Appreciation/ (Depreciation) £000	Valuation 2020 £000
15	**Anglo American***	1.34	£37.6bn	–	6,838	–	4,072	10,910

Anglo American is a diversified mining company with exposure to commodities including copper, iron ore, diamonds and platinum. It is well positioned to benefit from the need to decarbonise the global economy. For example, it is significantly exposed to copper where demand is likely to grow driven by its use in electric vehicles and renewable energy. Anglo American are also among the leaders within the mining sector on environmental targets, aiming to be carbon neutral in their own operations by 2040.

*Anglo American was first purchased on 12 March 2020.

Classification of investments

based on market values as at 31 December 2020

	U.K. %	North America %	Europe %	Rest of the world %	Total 2020 %	Total 2020 £000	Total 2019 %	Total 2019 £000
Oil and gas								
Alternative energy	1.36	–	–	–	1.36	11,079	7.46	61,340
Oil and gas producers	4.32	0.68	0.26	–	5.26	42,711	–	–
Oil equipment services and distribution	4.60	0.38	–	–	4.98	40,479	2.21	18,114
	10.28	1.06	0.26	–	11.60	94,269	9.67	79,454
Basic materials								
Chemicals	1.78	–	1.33	–	3.11	25,311	2.16	17,732
Forestry and paper	1.01	–	–	–	1.01	8,168	1.02	8,419
Mining	5.17	–	–	–	5.17	42,010	3.24	26,656
	7.96	–	1.33	–	9.29	75,489	6.42	52,807
Industrials								
Aerospace and defence	4.18	–	–	–	4.18	33,928	4.13	33,971
Construction and materials	4.49	–	–	–	4.49	36,432	6.34	52,140
Electronic and electrical equipment	2.88	–	–	–	2.88	23,434	1.53	12,525
General industrials	1.30	–	0.36	–	1.66	13,448	2.94	24,158
Industrial engineering	2.58	1.94	–	–	4.52	36,706	4.87	39,990
Industrial transportation	1.37	–	–	–	1.37	11,104	1.11	9,089
Support services	2.40	–	0.55	–	2.95	23,916	2.29	18,778
	19.20	1.94	0.91	–	22.05	178,968	23.21	190,651
Consumer goods								
Automobiles and parts	–	0.84	0.23	1.15	2.22	18,032	1.82	14,910
Food and drug retailers	0.74	–	–	–	0.74	6,016	0.31	2,534
Food producers	–	–	0.43	–	0.43	3,507	0.43	3,499
Household goods and home construction	1.49	–	–	–	1.49	12,116	1.70	13,952
Personal goods	0.54	–	0.21	–	0.75	6,132	–	–
Tobacco	0.58	–	–	–	0.58	4,739	0.98	8,079
	3.35	0.84	0.87	1.15	6.21	50,542	5.24	42,974
Health care								
Health care equipment and services	0.87	–	–	–	0.87	7,097	1.05	8,608
Pharmaceuticals and biotechnology	2.77	0.70	0.84	–	4.31	34,950	7.79	64,098
	3.64	0.70	0.84	–	5.18	42,047	8.84	72,706
Consumer services								
General retailers	3.23	–	–	–	3.23	26,228	1.88	15,462
Media	2.34	–	0.34	–	2.68	21,740	3.30	27,105
Travel and leisure	1.39	–	1.57	–	2.96	24,084	4.97	40,946
	6.96	–	1.91	–	8.87	72,052	10.15	83,513
Financials								
Banks	5.51	–	0.84	–	6.35	51,586	6.18	50,890
Equity investment instruments	3.83	–	–	0.87	4.70	38,213	4.13	33,916
Financial services	5.76	–	0.41	–	6.17	50,102	3.40	28,048
Life insurance/assurance	4.09	–	–	–	4.09	33,207	1.69	13,916
Nonlife insurance	2.38	–	0.47	–	2.85	23,204	3.97	32,633
Real estate investment trusts	2.98	–	–	0.45	3.43	27,809	5.64	46,442
Real estate investments and services	0.91	–	–	–	0.91	7,400	3.93	32,315
	25.46	–	1.72	1.32	28.50	231,521	28.94	238,160
Technology								
Software and computer services	–	–	0.43	–	0.43	3,502	1.66	13,676
Technology hardware and equipment	–	0.89	0.24	–	1.13	9,184	0.78	6,450
	–	0.89	0.67	–	1.56	12,686	2.44	20,126
Telecommunications								
Fixed line telecommunications	0.49	–	0.11	–	0.60	4,852	–	–
Mobile telecommunications	0.52	–	0.82	–	1.34	10,887	1.13	9,325
	1.01	–	0.93	–	1.94	15,739	1.13	9,325
Utilities								
Electricity	1.02	–	0.70	–	1.72	13,959	0.70	5,825
Gas, water and multiutilities	3.08	–	–	–	3.08	25,025	3.26	26,775
	4.10	–	0.70	–	4.80	38,984	3.96	32,600
TOTAL 2020	81.96	5.43	10.14	2.47	100.00	812,297		
TOTAL 2019	80.75	8.30	7.83	3.12	–	–	100.00	662,593

The above table excludes bank balances and short-term deposits

Photo credit: Charles Hosea

Investment portfolio valuation

based on market values as at 31 December 2020

Holding name	Location	Sector	Industry	£000	%
Ceres Power	UK	Oil and gas	Oil equipment services and distribution	24,197	2.99
GlaxoSmithKline	UK	Health Care	Pharmaceuticals and biotechnology	22,478	2.77
Rio Tinto	UK	Basic Materials	Mining	20,512	2.53
Herald Investment Trust	UK	Financials	Equity investment instruments	17,505	2.16
Royal Dutch Shell	UK	Oil and gas	Oil and gas producers	15,743	1.94
BP	UK	Oil and gas	Oil and gas producers	14,524	1.79
Prudential Corp	UK	Financials	Life insurance/assurance	12,581	1.55
National Grid	UK	Utilities	Gas, water and multiutilities	12,189	1.50
Morgan Advanced Materials	UK	Industrials	Electronic and electrical equipment	11,974	1.47
HSBC	UK	Financials	Banks	11,881	1.46
ITM Power	UK	Oil and gas	Oil equipment services and distribution	11,488	1.41
Severn Trent	UK	Utilities	Gas, water and multiutilities	11,440	1.41
Accsys Technologies	UK	Industrials	Construction and materials	11,131	1.37
Aviva	UK	Financials	Life insurance/assurance	11,008	1.36
Anglo American	UK	Basic Materials	Mining	10,910	1.34
RELX	UK	Consumer Services	Media	10,755	1.32
BHP	UK	Basic Materials	Mining	10,588	1.30
DS Smith	UK	Industrials	General industrials	10,548	1.30
Royal Mail	UK	Industrials	Industrial transportation	10,466	1.29
Direct Line Insurance	UK	Financials	Nonlife insurance	10,368	1.28
Land Securities	UK	Financials	Real estate investment trusts	10,254	1.26
Dunelm	UK	Consumer Services	General retailers	10,068	1.24
Hipgnosis Songs Fund	UK	Financials	Equity investment instruments	10,035	1.24
M&G	UK	Financials	Financial services	9,898	1.22
Rolls Royce	UK	Industrials	Aerospace and defence	9,401	1.16
Hill & Smith	UK	Industrials	Industrial engineering	9,372	1.15
Toyota Motor Corporation	Japan	Consumer Goods	Automobiles and parts	9,297	1.14
NatWest	UK	Financials	Banks	9,213	1.13
Hiscox	UK	Financials	Nonlife insurance	8,991	1.11
BAE Systems	UK	Industrials	Aerospace and defence	8,798	1.08
Standard Chartered	UK	Financials	Banks	8,784	1.08
IP Group	UK	Financials	Financial services	8,765	1.08
Urban Logistics REIT	UK	Financials	Real estate investment trusts	8,730	1.07
AFC Energy	UK	Oil and gas	Alternative Energy	8,580	1.06
Standard Life Aberdeen	UK	Financials	Financial services	8,457	1.04
Mondi	UK	Basic Materials	Forestry and paper	8,168	1.01
Caterpillar	USA	Industrials	Industrial engineering	7,982	0.98
Johnson Service Group	UK	Industrials	Support services	7,953	0.98
Cummins	USA	Industrials	Industrial engineering	7,801	0.96
Lloyds Banking Group	UK	Financials	Banks	7,652	0.94
Senior	UK	Industrials	Aerospace and defence	7,576	0.93
Croda	UK	Basic Materials	Chemicals	7,561	0.93
Balfour Beatty	UK	Industrials	Construction and materials	7,469	0.92
St Modwen Properties	UK	Financials	Real estate investments and services	7,400	0.91

Investment portfolio valuation continued

based on market values as at 31 December 2020

Holding name	Location	Sector	Industry	£000	%
Barclays	UK	Financials	Banks	7,261	0.89
Applied Materials	USA	Technology	Technology hardware and equipment	7,253	0.89
Smith & Nephew	UK	Health Care	Health care equipment and services	7,097	0.87
Scottish Oriental Smaller Cos	Pacific	Financials	Equity investment instruments	7,077	0.87
Marks & Spencer	UK	Consumer Services	General retailers	6,951	0.86
Irish Continental Group	Ireland	Consumer Services	Travel and leisure	6,949	0.86
General Motors	USA	Consumer Goods	Automobiles and parts	6,849	0.84
Watkin Jones	UK	Consumer Goods	Household goods and home construction	6,815	0.84
Provident Financial	UK	Financials	Financial services	6,780	0.83
Elementis	UK	Basic Materials	Chemicals	6,732	0.83
Marshalls	UK	Industrials	Construction and materials	6,728	0.83
Linde	Germany	Basic Materials	Chemicals	6,627	0.82
Chesnara	UK	Financials	Life insurance/assurance	6,115	0.75
Tesco	UK	Consumer Goods	Food and Drug Retailers	6,016	0.74
Spectris	UK	Industrials	Electronic and electrical equipment	5,988	0.74
Euromoney	UK	Consumer Services	Media	5,891	0.73
Ryanair	Ireland	Consumer Services	Travel and leisure	5,807	0.71
EQTEC	Ireland	Utilities	Electricity	5,667	0.70
Bristol-Myers Squibb	USA	Health Care	Pharmaceuticals and biotechnology	5,666	0.70
International Consolidated Airlines	UK	Consumer Services	Travel and leisure	5,493	0.68
Gibson Energy	Canada	Oil and gas	Oil and gas producers	5,491	0.68
TT Electronics	UK	Industrials	Electronic and electrical equipment	5,472	0.67
Taylor Wimpey	UK	Consumer Goods	Household goods and home construction	5,301	0.65
Hammerson	UK	Financials	Real estate investment trusts	5,201	0.64
IMI	UK	Industrials	Industrial engineering	5,097	0.63
Ibstock	UK	Industrials	Construction and materials	4,951	0.61
Halfords	UK	Consumer Services	General retailers	4,806	0.59
British American Tobacco	UK	Consumer Goods	Tobacco	4,739	0.58
SigmaRoc	UK	Industrials	Construction and materials	4,729	0.58
Meggitt	UK	Industrials	Aerospace and defence	4,665	0.57
Boku	UK	Industrials	Support services	4,571	0.56
SSE	UK	Utilities	Electricity	4,499	0.55
Studio Retail Group	UK	Consumer Services	General retailers	4,402	0.54
Unilever	UK	Consumer Goods	Personal goods	4,392	0.54
Vodafone	UK	Telecommunications	Mobile telecommunications	4,233	0.52
Koninklijke DSM	Netherlands	Basic Materials	Chemicals	4,193	0.52
Oxford Sciences Innovation	UKULM	Financials	Financial services	4,077	0.50
Weir Group	UK	Industrials	Industrial engineering	3,979	0.49
BT Group	UK	Telecommunications	Fixed Line Telecommunications	3,968	0.49
Muenchener Rueckver	Germany	Financials	Nonlife insurance	3,845	0.47
SIMEC Atlantis Energy	UK	Utilities	Electricity	3,794	0.47
International Personal Finance	UK	Financials	Financial services	3,790	0.47
BAWAG	Austria	Financials	Banks	3,670	0.45
Grit Real Estate Income Group	Other	Financials	Real estate investment trusts	3,624	0.45

Investment portfolio valuation continued

based on market values as at 31 December 2020

Holding name	Location	Sector	Industry	£000	%
Foresight Solar Fund	UK	Financials	Equity investment instruments	3,570	0.44
Telecom Italia RSP	Italy	Telecommunications	Mobile telecommunications	3,559	0.44
Nestle	Switzerland	Consumer Goods	Food producers	3,507	0.43
Phoenix Group Holdings	UK	Financials	Life insurance/assurance	3,503	0.43
Prosus	Netherlands	Technology	Software and computer services	3,502	0.43
Babcock	UK	Industrials	Aerospace and defence	3,488	0.43
Indus Gas	UK	Oil and gas	Oil and gas producers	3,346	0.41
UniCredit	Italy	Financials	Banks	3,122	0.38
Redde Northgate	UK	Industrials	Support services	3,105	0.38
Cellnex Telecom	Spain	Telecommunications	Mobile telecommunications	3,095	0.38
Carnival	UK	Consumer Services	Travel and leisure	3,076	0.38
Roche	Switzerland	Health Care	Pharmaceuticals and biotechnology	3,064	0.38
Schlumberger	USA	Oil and gas	Oil equipment services and distribution	3,048	0.38
Allied Minds	UK	Financials	Financial services	3,006	0.37
SIG Combibloc	Switzerland	Industrials	General industrials	2,900	0.36
Vivendi	France	Consumer Services	Media	2,765	0.34
Marstons	UK	Consumer Services	Travel and leisure	2,759	0.34
Worldline	France	Industrials	Support services	2,612	0.32
Amundi	France	Financials	Financial services	2,579	0.32
Ilika	UK	Oil and gas	Alternative Energy	2,499	0.31
Mirriad Advertising	UK	Consumer Services	Media	2,328	0.29
Novo Nordisk	Denmark	Health Care	Pharmaceuticals and biotechnology	2,294	0.28
Augean	UK	Industrials	Support services	2,137	0.26
Total	France	Oil and gas	Oil and gas producers	2,124	0.26
ASML	Netherlands	Technology	Technology hardware and equipment	1,931	0.24
Faurecia	France	Consumer Goods	Automobiles and parts	1,886	0.23
Nexi	Italy	Industrials	Support services	1,828	0.23
Morses Club	UK	Financials	Financial services	1,795	0.22
CNH Industrial	UK	Industrials	Industrial engineering	1,742	0.21
Moncler	Italy	Consumer Goods	Personal goods	1,740	0.21
Ricardo	UK	Industrials	Support services	1,710	0.21
Velocys	UK	Oil and gas	Oil equipment services and distribution	1,679	0.21
Grifols	Spain	Health Care	Pharmaceuticals and biotechnology	1,447	0.18
Kier	UK	Industrials	Construction and materials	1,425	0.18
Centrica	UK	Utilities	Gas, water and multiutilities	1,396	0.17
Koninklijke KPN	Netherlands	Telecommunications	Fixed Line Telecommunications	884	0.11
Brockhaus Capital Management	Germany	Financials	Financial services	743	0.09
Premier Oil	UK	Oil and gas	Oil and gas producers	736	0.09
Renold	UK	Industrials	Industrial engineering	734	0.09
Logistics Development Group	UK	Industrials	Industrial transportation	639	0.08
Tullow Oil	UK	Oil and gas	Oil and gas producers	591	0.07
LDIC Investments	UK	Other	Other	213	0.03
Carclo	UK	Basic Materials	Chemicals	198	0.02
Providence Resources	UK	Oil and gas	Oil and gas producers	156	0.02

Investment portfolio valuation continued

based on market values as at 31 December 2020

Holding name	Location	Sector	Industry	£000	%
DistributionNOW	USA	Oil and gas	Oil equipment services and distribution	66	0.01
Better Capital (2012)	UK	Financials	Equity investment instruments	25	0
Permanent TSB	Ireland	Financials	Banks	3	0
				812,297	100.00

Changes in geographical distribution

	Valuation 31 December 2019 £000	Purchases £000	Costs of acquisition £000	Sales proceeds £000	Appreciation/ (depreciation)* £000	Valuation 31 December 2020 £000	%
United Kingdom	664,021	129,219	(534)	(98,200)	(28,706)	665,800	82.1
North America	68,182	3,513	(2)	(33,771)	6,234	44,156	5.4
Europe	64,409	39,921	(52)	(33,574)	11,639	82,343	10.1
Japan	8,693	—	—	—	604	9,297	1.1
Other Pacific	7,237	—	—	—	(160)	7,077	0.9
Other	9,774	1,178	—	(1,363)	(5,965)	3,624	0.4
	822,316	173,831	(588)	(166,908)	(16,354)	812,297	100.0

* Please refer to note 2 on page 102.

Company overview

Who we are

From its origins in 1889, Law Debenture has diversified to become a Group with a unique range of activities in the financial and professional services sectors. Law Debenture is an investment trust with two distinct lines of business: an investment portfolio and a leading provider of independent professional services.

Law Debenture shares are intended for private investors in the UK (retail investors), professionally advised private clients and institutional investors. When choosing an investment trust, shareholders typically accept the risk of exposure to equities but hope that the pooled nature of an investment trust portfolio will give some protection from the volatility in share price movements that can sometimes affect individual equities.

Our objective

Our objective for the investment trust is to achieve long-term capital growth in real terms and steadily increasing income. The aim is to achieve a higher rate of total return than the FTSE Actuaries All-Share Index through investing in a diversified portfolio of stocks and ownership of the IPS business.

Our business model

Our business model is designed to position the Company to the best advantage in the investment trust sector.

Investment Portfolio
(c. 83% of NAV)

The Company's portfolio will typically contain between 70 and 150 listed investments. The portfolio is diversified in order to spread investment risk with no obligation to hold shares in any particular type of company, industry or geographical location. The IPS business does not form part of the investment portfolio.

Whilst performance is measured against local and UK indices, the composition of these indices does not influence the construction of the portfolio. As a consequence, it is expected that the Company's investment portfolio and performance will deviate from the comparator indices.

Independent Professional Services
(c. 17% of NAV)

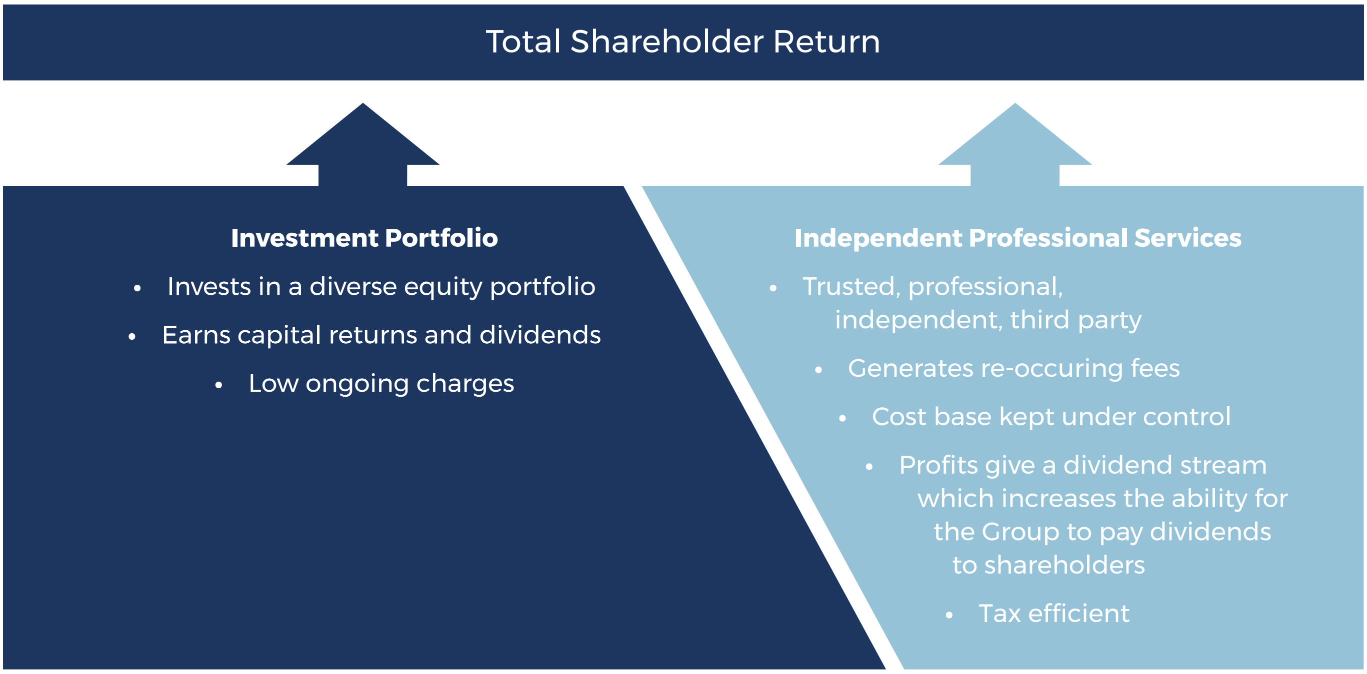
Operating through wholly owned subsidiary companies, all of which are listed at note 14 to the accounts, we provide pension trustee executives, outsourced pension services, corporate trust services and corporate services to companies, agencies, organisations and individuals throughout the world. The services are provided through offices in the UK, Dublin, New York, Delaware, Hong Kong, the Channel Islands and the Cayman Islands.

Group employees are employed by L.D.C. Trust Management Limited and Safecall Limited (in the UK) or a locally incorporated entity (in the overseas jurisdictions). As part of their duties, a number of the employees provide services to the investment trust and their time is charged to the trust, forming a part of the ongoing charges.

More details about the performance of the IPS business in 2020 are given in the Chief Executive Officer's review on pages 10 to 16.

Our unique structure allows our investment managers to focus on capital generation, while knowing that historically approximately one-third of the Trust's income has been provided by the IPS business.

Company overview continued



Our strategy – implementation

We aim to deliver the investment trust's objective by skilled implementation of the investment strategy, complemented by maintaining and operating our IPS business profitably and safely, while keeping it distinct from the portfolio. The operational independence of the IPS business means that it can act flexibly and commercially. It provides a regular flow of dividend income to the Company. This helps the Board to smooth out equity dividend peaks and troughs, means that the investment manager does not have to be constrained by choosing stocks just for yield and is an important element in delivering the objective of steadily increasing income for shareholders. In turn, some of the tax relief at the investment trust level arising from our debenture interest and excess costs, which would otherwise be unutilised, can be transferred to the IPS business, thus reducing the overall tax liability of the Group.

The way in which we implemented the investment strategy during 2020 is described in more detail in the CEO's review on pages 12 to 16 and the investment managers' review on pages 18 to 22.

Performance against KPIs is set out at pages 3 to 31, which contain comprehensive tables, charts and data to explain performance both over the year under review and over the long-term.

Our strategy – guidelines

There are some guidelines, set by the Board, on maximum or minimum stakes in particular regions and all stakes are monitored in detail by the Board at every scheduled Board meeting in order to ensure that sufficient diversification is maintained.

	Minimum %	Maximum %
United Kingdom	55	100
North America	0	20
Europe	0	10
Japan	0	10
Other Pacific	0	10
Other	0	10

Liquidity and long-term borrowings are managed with the aim of improving returns to shareholders. The policy on gearing is to adopt a level of gearing that balances risk with the objective of increasing the return to shareholders, in pursuit of its investment objective. More information on gearing can be found on page 34. Investments may be held in, inter alia, equity shares, collective investment products including open ended investment companies (OEICs), fixed interest securities, interests in limited liability partnerships, cash and liquid assets. Derivatives may be used but only with the prior authorisation of the Board. It is permissible to hedge against currency movements on both the capital and income account, and to lend stocks up to 30% of the NAV, subject again to prior authorisation of the Board. Trading in suspended shares and short positions are not permitted. No more than 15% of gross assets will be invested in other UK listed investment trusts. During 2020, the Board took the decision to remove the cap on UK investments given our AIC classification in the UK Equities Sector. However, the Company's investment activities are subject to the following limitations and restrictions:

- No investment may be made which raises the aggregate value of the largest 20 holdings, excluding investments in collective

Company overview continued

investment vehicles that give exposure to the Japan, Asia/Pacific or emerging market regions, to more than 40% of the Company's portfolio, including gilts and cash.

- The value of a new acquisition in any one company may not exceed 5% of total portfolio value (including cash) at the time the investment is made. Further additions shall not cause a single holding to exceed 5%, and Board approval must be sought to retain a holding, should its value increase above the 5% limit (that approval to be sought at the next Board meeting).
- The Company applies a ceiling on effective gearing of 50%. While effective gearing will be employed in a typical range of 10% net cash to 20% gearing, the Board retains the ability to reduce equity exposure so that net cash is above 10% if deemed appropriate.
- The Company may not make investments in respect of which there is unlimited liability.

Fee structure and ongoing charges

Our portfolio of investments is managed under delegation by James Henderson and Laura Foll of Janus Henderson Investors (Janus Henderson) under a contract terminable by either side on six months' notice. On a fully discretionary basis, Janus Henderson is responsible for implementing the Company's investment strategy and fees are charged at 0.30% of the value of the net assets of the Group (excluding the net assets of IPS), calculated on the basis adopted in the audited financial statements. This means that the Company continues to maintain one of the most competitive fee structures in the investment trust sector. This, combined with the strong performance of Janus Henderson over the years as our investment manager, has led the Board to conclude that the continuing appointment of Janus Henderson as the Company's investment manager remains in the best interests of shareholders. Equity investment needs to be considered over the longer term and Janus Henderson has delivered positive returns over many years.

Law Debenture's latest published level of ongoing charges is one of the lowest in the marketplace at 0.55%. No performance fees are paid to the investment manager.

The agreement with Janus Henderson does not cover custody which is the responsibility of the depositary (see section on regulatory compliance in the Directors' report, page 53). Nor does it cover the preparation of data associated with investment performance, or record keeping, both of which are maintained by the Company.

Investment trusts are required to publish their ongoing charges. This is the cost of operating the trust and includes the investment management fee, depositary and custody fees, investment performance data, accounting, company secretary and back office administration. Law Debenture's latest published level of ongoing charges shown on page 3 is one of the lowest in the marketplace. No performance fees are paid to the investment manager.

Capital structure – simple and mainstream

Law Debenture's capital structure is transparent. We have only one class of share – ordinary shares – and each share has the same rights as every other share.

The Company conducts its affairs so that its ordinary shares are capable of being recommended by independent financial advisors to retail investors in accordance with relevant FCA rules.

Our ordinary shares are, we consider, mainstream investment products because they are shares in an investment trust. The Company intends to continue conducting its affairs for the foreseeable future so that the ordinary shares can continue to be categorised as a mainstream investment.

Transparency

In order to assist shareholders to understand the nature of the underlying investments they are buying into when investing in Law Debenture shares, we publish our entire portfolio monthly – with additional monthly updates on the composition of the top ten holdings in the portfolio. During the course of 2020, we also began publishing a daily NAV.

Gearing

Investment trusts have the benefit of being able to 'gear' their portfolios according to market conditions. This means that they can raise debt (either short or long-term) to generate funds for further investment. These funds can be used to increase the size of the portfolio, or assets from within the portfolio can be sold to reduce debt and even be 'negatively geared'. This means selling assets to hold cash so that less than 100% of the Company's assets are invested in equities. At 31 December 2020, our gearing was 9% (2019: 5% restated†).

There has been no change in the Company's gearing policy, with effective gearing typically employed in a range of 10% net cash to 20% gearing.

Borrowings

The Company has two debentures (long dated sterling denominated financing) details of which are at page 120. The weighted average interest payable on the Company's structural borrowings is 4.589% (2019: 4.589%).

† Please refer to gearing/(net cash) note on page 128.

Company overview continued

Breakdown of employees by sex

We report that at the 2020 year end:

- two Directors of the Company were female (2019: two);
- 50% of the senior managers of the Group were female (2019: 31%) (senior manager being any individual with responsibility for planning, directing or controlling an activity of one of the subsidiary companies or a key central business function, excluding the CEO and the COO); and
- 50% (2019: 50%) of the Group employees were female.

Future trends and factors

Law Debenture will continue to strive to deliver its business objectives for both the investment trust and the IPS business.

The Chairman's statement, the investment managers' review and the CEO's review (all of which form part of this strategic report) respectively set out the Company's views on future developments.

Brexit

During the course of 2020, the UK went through the transition period and came to a trade deal for good with the EU. The Board continues to believe that the UK's decision to leave the EU does not present a threat to the Group's business model, the viability statement, or its ability to continue producing accounts on a going concern basis.

Performance and related data

Pages 3, 13 and 18 to 22, which contain performance and related data, form a part of this strategic report.

Key performance indicators (KPIs) and alternative performance measures

The KPIs used to measure the progress and performance of the Group are:

- NAV total return per share (combining the capital and income returns of the Group) and how this compares, over various time intervals, with relevant indices;
- the discount/premium in share price to NAV; and
- the cost of running the portfolio as a percentage of its value.

Since the objective of the investment trust is measurable solely in financial terms, the Board does not consider that it is appropriate to adopt non-financial KPIs. The financial measures adopted as KPIs are part of our financial reporting obligations.

NAV total return with debt at Fair Value

1 year	3 years	5 years	10 years
3.6%	15.6%	59.1%	147.8%

Premium/(discount)

	31 December 2020	31 December 2019
Year end	3.6%	(7.4)%
High for year	6.6%	(4.8)%
Low for year	(19.0)%	(11.6)%

Ongoing expenses ratio

Year ended 31 December 2020	Year ended 31 December 2019
0.55%	0.48%

Alternative Performance Measures as defined under ESMA guidelines have been adopted and these are described in detail on page 128.

Share price and NAV

Investment trusts can trade at a discount (where the share price is lower than the combined value (NAV) of the underlying assets), or at a premium (where the share price trades at a higher level than the underlying NAV). Investment trust investors need to understand these concepts as well as examine the underlying portfolio and the way in which it is managed, to decide whether or not an investment trust share represents "good value".

Law Debenture's responsibilities as an institutional shareholder

The Company recognises that in delivering its objective to produce long-term capital growth and a steadily increasing income, it must ensure that its investment strategy is delivered with due emphasis on the need to ensure that investee companies are acting in accordance with accepted standards of corporate governance. The Company has therefore adopted the following policy.

Law Debenture will normally support incumbent management and vote in favour of resolutions proposed by the boards of companies in which it has a shareholding, but will vote against management or withhold a vote where appropriate.

The Board determines the Company's investment strategy but does not issue express instructions to the investment manager on transactions in particular shares. Where Law Debenture believes that incumbent management is failing in its duties, Law Debenture (or on its behalf, the Company's investment manager) may attempt to enter into dialogue with the company concerned in an attempt to alter the management's position.

Company overview continued

Where this is not possible, or where incumbent management declines to alter its behaviour, Law Debenture will consider voting against resolutions proposed by the management. Further, if it is deemed necessary or desirable, the Company would consider acting collectively with other institutional investors to try and achieve a particular goal.

Janus Henderson, on Law Debenture's behalf, monitors companies in which Law Debenture is invested, and from time to time may discuss matters of corporate responsibility with such companies. The Janus Henderson corporate governance unit will notify Law Debenture's investment managers, who in turn may notify Law Debenture, should matters arise that might lead the Company to consider intervening, abstaining or voting against a particular proposal. During the year, the Company abstained or voted against one or more resolutions at 30 shareholder meetings of investee companies.

The Company will not hold shares in companies whose ethical and environmental practices are in its view likely to damage the performance of the business to the detriment of its shareholders.

The Company does not believe that conflicts arise between its duties as an institutional shareholder and the IPS work undertaken by the IPS business. The investment manager has complete discretion as to portfolio decisions and as a matter of policy, has no access to 'non-public' knowledge about any of the activities of the IPS business.

Janus Henderson remains a signatory to the 2012 UK Stewardship Code and intends to sign up to the 2020 UK Stewardship Code. As the Company's investment manager, Janus Henderson makes the day-to-day investment decisions and is therefore best placed to engage with portfolio companies and discharge stewardship obligations. The Board is of the view that becoming a signatory to the Stewardship Code would unnecessarily duplicate the work of the investment manager and therefore continues to rely on Janus Henderson in this regard.

Valuation of our IPS business

Accounting standards require us to consolidate the income, costs and taxation of our IPS business into the Group income statement on page 92. The assets and liabilities of the business are also consolidated into the Group column of the statement of financial position on page 93. A segmental analysis is provided in note 7 (page 105) to these accounts which shows a detailed breakdown of the split between the investment portfolio, IPS business and Group charges.

Consolidating the value of the IPS business in this way failed to recognise the value created for the shareholder by the IPS business. To address this, from December 2015, the NAV we have published for the Group has included a fair value for the standalone IPS business.

The current fair value of the IPS business is calculated based upon historical earnings before interest, taxation, depreciation and amortisation (EBITDA) for 2020, with an appropriate multiple applied. The EBITDA for the IPS business for 2020 was £13.3m. This number is reached by taking the return, including profit attribution on ordinary activities before interest and taxation of £12.2m from note 7 on page 105 and adding back the depreciation charge for property plant and equipment of £1.2m and the amortisation of intangible assets of £59,000 shown in note 3 on page 103.

The calculation of the IPS valuation and methodology used to derive it are included in the annual report at note 14. In determining a calculated basis for the fair valuation of the IPS business, the Board has taken appropriate external professional advice. The multiple applied in valuing the IPS business is based on comparable companies sourced from market data, with appropriate adjustments to reflect the difference between the comparable companies and IPS business in respect of size, liquidity, margin and growth. A range of multiples is then provided by the professional valuation firm, from which the Board selects an appropriate multiple to apply. The multiple selected for the current year is 9.4x, which represents a discount of almost 30% on the mean multiple across the comparable businesses, to reflect the relative size of the IPS business and the fact that it is unlisted.

The comparable companies used, and their recent performance, is presented in the table below:

Company	Revenue LTM[1] (£m)	LTM EV/ EBITDA 31 Dec 2020	Revenue CAGR 2016-2020	EBITDA margin LTM
Law Deb IPS	35	9.4x	7%	44%
Intertrust N.V.	518	11.2x	12%	33%
Sanne Group plc	170	19.6x	28%	29%
SEI Investments Company	1,286	15.1x	3%	28%

1 LTM refers to the trailing 12 months 'results' which are publicly available.
Source: Capital IQ.

Valuation guidelines require that the fair value of the IPS business be established on a stand-alone basis. Therefore, the valuation does not reflect the value of Group tax relief applied from the investment trust to the IPS business, which reduced the tax charge by £1,549,000 (2019: £1,120,000). It is hoped that our initiatives to inject growth into the IPS business will result in a corresponding increase in valuation over time. As stated above, management is aiming to achieve mid to high single digit growth in 2020. The valuation of the business has increased by £44.9m/49.6% since the first valuation of the business as at 31 December 2015.

In order to assist investors, the Company restated its historical NAV in 2015 to include the fair value of the IPS business for the last ten years. This information is provided in the annual report within the 10-year record on page 38.

Long-term borrowing

The fair value of long-term borrowings held by the Group is disclosed in note 21 to the accounts. The methodology of fair valuing all long-term borrowings is to benchmark the Group debt against A rated UK corporate bond yields.

Calculation of net asset value (NAV) per share

Calculation of NAV per share

The table below shows how the NAV at fair value is calculated. The value of assets already included within the NAV per the Group statement of financial position that relate to the IPS business are removed (£23.5m) and substituted with the calculation of the fair value and surplus net assets of the business (£136m). An adjustment of £52.2m is then made to show the Group's debt at fair value, rather than the book cost that is included in the NAV per the Group statement of financial position. This calculation shows a NAV fair value for the Group as at 31 December 2020 of £787.2m or 666.15 pence per share:

	31 December 2020		31 December 2019	
	£000	Pence per share	£000	Pence per share
Net asset value (NAV) per Group statement of financial position	726,994	615.19	775,272	655.76
Fair valuation of IPS: EBITDA at a multiple of 9.4x (2019: 9.2x)	125,349	106.07	105,938	89.61
Surplus net assets	10,605	8.97	16,367	13.84
Fair value of IPS business	135,954	115.05	122,305	103.45
Removal of assets already included in NAV per financial statements	(23,547)	(19.93)	(30,445)	(25.75)
Fair value uplift for IPS business	112,407	95.12	91,860	77.70
Debt fair value adjustment	(52,182)	(44.16)	(36,992)	(31.29)
NAV at fair value	787,219	666.15	830,139	702.17

Photo credit: Harry Evans

Long-term performance record

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Net assets (£m)[1]	412.6	390.9	451.9	569.1	574.2	557.3	662.3	748.3	669.4	775.3	727.0
Revenue return (pence)	13.26	15.52	15.14	16.27	16.95	18.10	15.96	21.66	21.26	30.68	21.56
Capital return (pence)	58.22	(19.07)	50.24	97.18	3.87	(17.47)	89.30	67.10	(71.85)	79.27	(19.06)
Total (pence)	71.48	(3.55)	65.38	113.45	20.82	0.63	105.26	88.76	(50.59)	109.95	2.50
Revenue return (pence)											
Investment trust	7.07	8.27	8.47	9.31	10.08	11.01	10.88	11.61	13.23	22.18	12.12
Independent professional services	6.19	7.25	6.67	6.96	6.87	7.09	7.68	9.93*	7.87	8.54	9.35
	13.26	15.52	15.14	16.27	16.95	18.10	18.56	21.54	21.10	30.72	0.09
Group charges[2]	—	—	—	—	—	—	(2.60)	0.12	0.16	(0.04)	21.56
	13.26	15.52	15.14	16.27	16.95	18.10	15.96	21.66	21.26	30.68	21.56
Dividends (pence)	12.70	13.50	14.25	15.00	15.70	16.20	16.70	17.30	18.90	26.00	27.50
Share price (pence)[1]	356.6	333.5	425.0	529.0	530.0	498.0	530.0	629.0	540.0	650.0	690.0
(Discount)/premium (%)[1]	(10.5)	(13.4)	0.1	(2.4)	(2.3)	(5.1)	(11.4)	(6.0)	(12.1)	(7.4)	3.6
NAV at fair value (pence)[1]	398.5	385.1	424.7	541.8	542.3	524.5	598.5	669.5	614.1	702.2	666.2
Market capitalisation (£m)[1]	418.6	393.8	501.9	625.0	627.1	589.3	627.2	744.5	639.3	769.8	817.3

1 At 31 December calculated in accordance with AIC methodology, based on performance data held by Law Debenture including fair value of IPS business and long-term borrowings.

2 For details see note 7 to the accounts.

*This includes 2.72 pence per share of exceptional items including the sale of an unlisted investment, excluding which, normalised earnings per share were 7.21 pence per share.

Note: The 10 year record has been restated (2010-2014) to reflect the fair value of the IPS business and the long-term borrowings.

Risk management

Principal risks and internal controls – overview

The Group's risk management and internal control framework is embedded in our operations and subject to continuous enhancements. Board-level oversight is provided by our Audit and Risk Committee. Our Executive Risk Committee has responsibility for the oversight of the management of operational risk within the Group. The framework enables the Board to identify, evaluate and manage principal risks to support our delivery of long-term priorities. The Board recognises that there are certain risks which are inherent in our business structure, such as market risk with respect to its investment portfolio and the controls to mitigate against such risks are paramount to the delivery of our objectives.

On an annual basis, the Audit and Risk Committee consider the risks to the Group and the adequacy of the controls in place to appropriately manage those risks. Consideration is also given to emerging risks to ensure that the risk management framework is updated to protect the business. Where there is insufficient information on the potential risk, ongoing monitoring is put in place.

During 2020, the General Counsel oversaw the roll out of a policy review for key Group-wide risks and procedures. This included an updated approach to the management of incident reporting up to the Executive Risk Committee level and to the Audit and Risk Committee, if necessary. This was supported by an enhanced all staff risk and compliance training programme to build on the existing learning and development programmes. In November 2020, the Chairman of the Audit and Risk Committee and the Executive Risk Committee both agreed a plan to refresh the Group's risk management and internal audit framework during 2021. This will further enhance the governance and oversight of the management of the principal risks (detailed below). An update on this refresh will be made in next year's annual report.

Presentation of Group risks

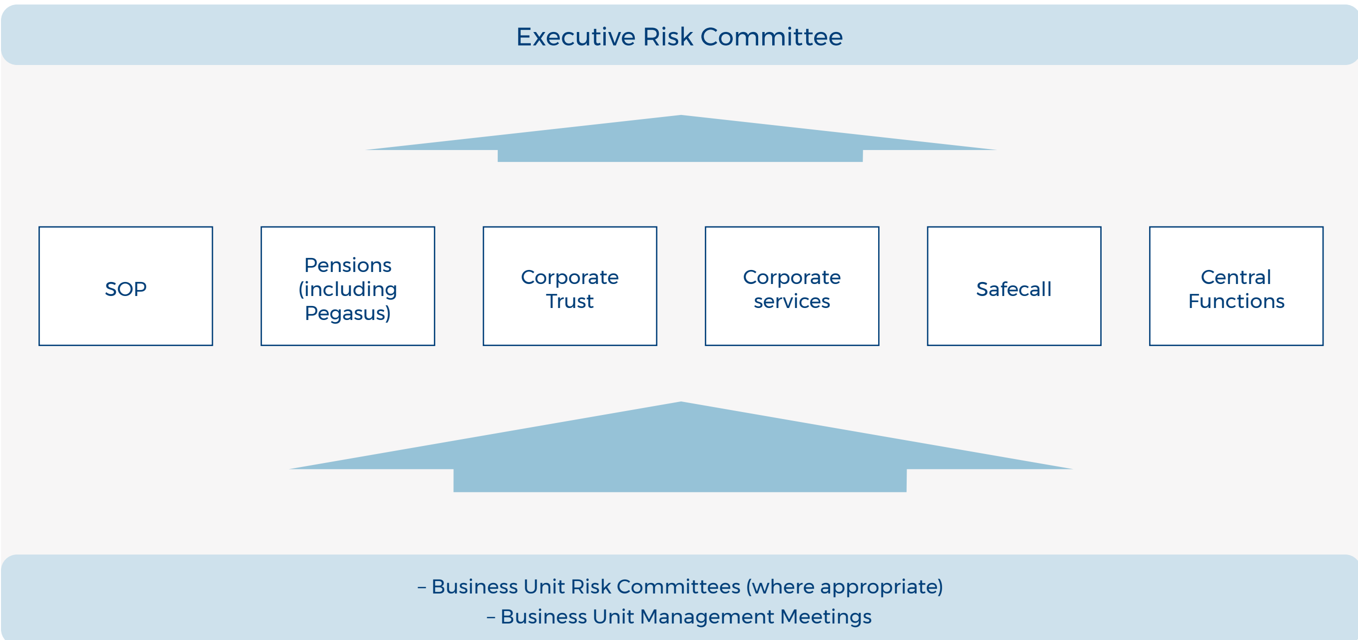
The key risks for Law Debenture are referred to as principal risks; they broadly relate to market, credit, liquidity and operational risks and are split into three categories:

1. Group Risks.
2. Investment Portfolio Risks.
3. IPS Risks.

The principal risks for the Group are presented below together with their corresponding controls and mitigating actions. In line with FRC guidance issued in October 2020, Law Debenture have identified where Covid-19 has materially impacted or has the potential to materially impact existing risks and has acted accordingly. This is outlined in the Covid-19 section on page 61.

Governance

The Group's risk management and internal control framework is managed through its governance structure shown in the diagram below. The IPS business risks are managed through business unit risk committees and management meetings. The outputs of these are fed through to the Executive Risk Committee.



Risk management continued

The key focus of the Executive Risk Committee is:

- The review of high or out of appetite risks.
- Internal controls and mitigating actions.
- Emerging risks.
- Escalations from Business Unit Risk Committees or Business Unit Management Meetings.

Executive Risk Committee

Section	IPS Business Risks	Group Risks	Investment Portfolio Risks
Agenda	– High risk and out of appetite IPS risks – High risk and out of appetite business risks – Outstanding/ongoing mitigating actions/controls – Testing schedule/results – Emerging risks – Incidents/breaches – Escalations from business unit risk committees (e.g. Pensions)	– High risk and out of appetite group risks – Outstanding/ongoing mitigating actions/controls – Testing schedule/results – Emerging risks – Incidents/breaches – Third party suppliers	– High risk and out of appetite portfolio risks – Outstanding/ongoing mitigating actions/controls – Testing schedule/results – Emerging risks – Incidents/breaches
Attendees	– Business Heads – Chief Financial Officer – Chief Operating Officer – Chief Technology Officer – General Counsel – Heads of Overseas Offices – Head of Internal Audit – MLRO	– Chief Financial Officer – Chief Operating Officer – Chief Technology Officer – General Counsel – Heads of Overseas Offices – Head of Internal Audit – MLRO	– Chief Financial Officer – Chief Operating Officer – General Counsel – Head of Internal Audit

Terms of Reference

The Executive Risk Committee escalates risk events to the Audit and Risk Committee, as appropriate. The General Counsel also speaks directly to the Chair of the Audit and Risk Committee on any matters arising as required.

The governance framework is continually under review to ensure that it is fit for purpose with annual reviews of the terms of reference and oversight across the Group by the Chairs of the Audit and Risk Committee and the Executive Risk Committee.

LDC plc Board

Audit and Risk Committee

Executive Risk Committee

Business Unit Risk Committees/Business Unit Management Meetings

Risk management continued

Group risk summary and internal controls

PRINCIPAL GROUP RISKS	MITIGATING ACTIVITIES
1. Financial Reporting	
The risk of inaccurate publication of financial statements, annual reports, NAV, factsheets and other market data that can adversely impact financial results, investor decisions, reputation or which may lead to regulatory fines or sanctions.	To mitigate these risks, the management and production of all financial reporting is overseen by appropriately skilled and trained colleagues within the Group's Finance team, with review from the CFO. The valuation is calculated based on the reconciled data using a specialist third party for the pricing and the NAV is reported to the London Stock Exchange and Morningstar daily. Investment Data is reconciled to third party data held by the Custodian/Depositary and Janus Henderson as the investment manager.
2. Liquidity and Dividend	
The risk that the Group cannot meet its cash and collateral obligations at a reasonable cost. This is for both expected and unexpected cash flows, without adversely affecting daily operations or financial conditions. Liquidity risk can arise from cash flow mismatches, market constraints from the inability to convert assets to cash, the inability to raise cash in the markets or contingent liquidity events. It could also arise from the operating business of the IPS if, for example, its debtor position were to materially deteriorate or where, in extremis, the Group is required to use its capital to mitigate a material post issue event within IPS where we could be paid years after the event. Liquidity issues could result in the Group being required to sell stock that Janus Henderson has invested in at a sub-optimal time/price, not be able to maintain or increase the dividend (a publicly stated aim) or require additional borrowing.	To mitigate these risks, the Board has various measures in place: • The investment limits and restrictions it has placed on the investment portfolio only permit investments in primarily equities and fixed interest securities quoted on major financial markets. Excess cash is held in money market funds with immediate access. There are also daily dealing limits in place for Janus Henderson and liquidity within the investment portfolio (and the Group as a whole) is closely monitored by the Finance team. • A refreshed liquidity policy has been reviewed by the CFO and a liquidity stress test is included in the Group Board papers on a quarterly basis. This furthers the Finance team's and CFO's monitoring of the Group's liquidity position. • The Group is not permitted to retain more than 15% of its income from shares and securities each year. This is actively monitored by the Finance team and is also a key consideration as part of the discussions on the final annual dividend and interim dividends. • The Company has a stated objective to provide shareholders with a steadily increasing flow of income and this is considered when making any dividend decision. Distribution is reviewed by the Board quarterly.
3. Foreign Currency	
The risk arising from movements in currency rates applicable to the investment portfolio's investment in equities and the net assets of the Group's overseas subsidiaries denominated in currencies other than sterling.	Cash positions are monitored daily by the Finance team. Where appropriate, funds are converted to our reporting currency.

Risk management continued

PRINCIPAL GROUP RISKS	MITIGATING ACTIVITIES
4. Interest Rates	
The risk arising from movements in interest rates on borrowing, deposits and short-term investments.	To mitigate interest rate risks, the Board reviews the mix of fixed and floating rate exposures and ensures that gearing levels are appropriate to the current and anticipated market environment. Cash positions are monitored daily by the finance team. Where possible, funds are moved into liquid funds with higher returns.
5. Legal and Regulatory	
The risk that the Group's business will be negatively affected if we do not comply with the various laws and regulations the Group is required to, or if we are not able to anticipate and keep pace with rapid changes in laws or regulations, or if laws or regulations decrease the need for our services or increase our costs.	To mitigate these risks, the following controls are in place: • A schedule of all Group legal, regulatory, compliance and reporting obligations to ensure all reporting and other requirements across the Group are tracked and complied with. • A GDPR review is also underway following the growth of the IPS business and changes to ways of working. • A review of regulatory permissions across the Group is ongoing. • Horizon scanning for any changes in legislation and regulations is also being progressed.
6. Third Party Suppliers	
Law Debenture relies on third parties to perform key functions of its business operations enabling its provision of services to clients. The Board recognises that such third parties may act in ways that could harm our business either through failure to deliver services or negative public opinion.	To mitigate these risks, all third-party suppliers are subject to robust due diligence, review and sign off from the Executive Risk Committee.
7. Financial Crime and Fraud	
Across all jurisdictions the Group's activities are subject to various financial crime laws and regulations, including sanctions and export control, anti-bribery, anti-corruption, anti-money-laundering and counter-terrorist financing. Changes to these laws could have a material adverse impact on our operations or financial results.	To mitigate these risks, the following controls are in place: • Enhanced incident reporting procedures for the Group with timelines for notifications and clear reporting lines. • Appropriate whistleblowing procedures and a clearly defined reporting structure with colleagues having the option to raise any concerns with their line manager, the General Counsel and HR Manager or if those avenues are not appropriate, to the Chairman of the Audit and Risk Committee, who is the employee representative of the Board. • There are robust policies in place covering fraud prevention, anti-bribery and corruption which are supported by employee training.

Risk management continued

Investment portfolio risk summary and internal controls

INVESTMENT PORTFOLIO RISKS	MITIGATING ACTIVITIES
1. Investment Performance and Market Risk	
The risk of the investment portfolio failing to deliver and/or failing to consider and react to market conditions to deliver the publicly stated strategic objectives to: • Achieve long-term capital growth. • Deliver a steadily increasing income. • Achieve a rate of return greater than the FTSE Actuaries All-Share Index. Investment performance and market risk is the largest risk which the investment portfolio is exposed to, however, this is an accepted risk and one which the Board actively takes as it believes long-term equity investment is an attractive proposition.	Even though this is an accepted risk given the nature of the investment portfolio, the Board is responsible for ensuring that there are adequate controls to help manage the inherent risk. As such, the Board has put in place various controls, details of which can be found on page 33 of the strategic report on Our Strategy – implementation. Furthermore, the NAV is published daily and subject to review by the CFO, which enables ongoing monitoring of the investment portfolio's performance. The Board further notes that the IPS business also provides an additional layer of diversification for the portfolio, meaning that the investment portfolio and the Group as a whole are less exposed to any potential dividend cuts from the equity holdings.
2. Gearing	
This risk could arise where the Company has borrowed money for investment purposes. If the value of portfolio investments falls, any borrowings will magnify the extent of this loss.	To mitigate this risk, all borrowings require the prior approval of the Board and gearing levels are kept under close review by the Board. The Board applies a ceiling on effective gearing of 50%. While effective gearing will be employed in a typical range of 10% net cash to 20% gearing, the Board retains the ability to reduce equity exposure so that net cash is above 10% if deemed appropriate. Gearing is reviewed and reported on to the AIC monthly by the Finance team.
3. Credit Risk (Securities Lending)	
Securities lending within the investment portfolio could lead to the risk of loss if any of our borrowers' default on their obligations to the business.	To mitigate this risk, the Board has limited the amount of stock lending within the investment portfolio to up to 30% of NAV only. In addition, the Board is indemnified by HSBC as the sub-custodian under the securities lending arrangements. HSBC are obliged to indemnify the arrangements such that the security collateral value shall always be greater than the value of securities on loan and a minimum margin is applied onto the security collateral: 102.5% for government bonds and 105% for equities.
4. Legal and Regulatory	
This could arise from a failure to comply with legal and regulatory requirements and filings resulting in fines, suspension of listing or a loss of investment trust status. Changes to legislation could have a negative impact on Law Debenture's ability to meet its objectives. e.g. Government intervention on publicly listed firms' dividend policy.	All legal, regulatory, compliance and reporting obligations across the Group, including that of the investment portfolio, are tracked and complied with. Horizon scanning for any changes in legislation and regulations is also being progressed. An annual "Key Information Document" (KID) is compiled and published by the business as are European PRIIP and MIFID templates (EPT/EMT). There is also oversight and monitoring from the Depositary.

Risk management continued

INVESTMENT PORTFOLIO RISKS	MITIGATING ACTIVITIES
5. Technology, Systems and Internal Controls	
The risk of loss resulting from inadequate or failed technology, information and manual processes and systems of Janus Henderson, including business continuity/disaster recovery incidents and wider control issues such as fraud or conflicts of interest.	To mitigate these risks, Janus Henderson are subject to an annual ISAE3402 audit and AAF review to ensure there are no material deficiencies. The Executive Risk Committee also receive a monthly operational report with respect to Janus Henderson's risks and controls.

IPS business risk summary and internal controls

IPS BUSINESS RISKS	MITIGATING ACTIVITIES
1. Financial	
This is the risk that the IPS business is not able to scale up and deliver on its growth plans to generate anticipated revenue growth, profitability, cost savings and react to any changes in market conditions.	To mitigate these risks, monthly management information is provided to the CEO and Business Heads to monitor and assess business performance. Through 2020 there has been significant investment in people and technology to support the long-term growth of the business and these needs continue to be regularly assessed.
2. People	
This is key as the IPS business is based on successfully attracting and retaining talented employees representing diverse backgrounds, experiences and skill sets. The loss of key colleagues, no succession planning or failure to ensure effective transfer of knowledge and smooth transition could damage or result in the loss of client relationships and could result in such colleagues competing against the business.	To mitigate our key people risks, a new COO and Human Resources Manager have been recruited and are developing plans for continued and better employee engagement and wellbeing. With this, the Board recognises that there is an opportunity to further develop and enhance its strategic plans to support employees in a collaborative culture. Maintaining the brand and reputation, as well as a diverse and inclusive work environment that enables all our employees to thrive, is important to our ability to recruit and retain employees.
3. Technology and Systems	
The risk of cyberattacks and security vulnerabilities is ever present, and failures here could lead to reduced revenue, increased costs, liability claims, or harm to our reputation or competitive position.	To mitigate such risks, the office move is allowing for enhanced technology resources and capability through investment and increased use of cloud services allowing sustainable, scalable technology growth in 2021 and beyond. Incident reporting procedures are in place.
4. Legal and Regulatory	
The IPS business will be negatively affected if it is not able to anticipate and keep pace with rapid changes in laws or regulations, or if laws or regulations decrease the need for the services provided or increase costs.	The General Counsel helps safeguard the IPS business and ensures that it complies with changes in law or regulations.

Risk management continued

IPS BUSINESS RISKS	MITIGATING ACTIVITIES
5. Credit	
This is the risk of loss to our receivables should any of IPS' clients or other counterparties default on their payment obligations either through no payment or late payment for services we have delivered or the risk of exposure or centration to one client or business sector.	Credit risk is actively monitored by the Finance team; the mitigations in place ensure that debtors across the business are monitored and moreover, the credit status of clients is considered as part of the client onboarding process.
6. Strategic	
This is the risk that the current business model becomes obsolete due to a lack of technical or commercial innovation, market disruption, product obsolesce or regulatory or legislative change.	To mitigate this risk, there has been significant investment in people and technology to support the IPS business strategy and this will continue to be monitored along with the introduction of the Group's 3-year strategic plan which forms part of the Group's longer term viability statement. There are also regular IPS board meetings where the strategy of the business is discussed with the Business Heads and the Executive Leadership team.

Looking forward: our risk agenda 2021

The focus for 2021 and beyond will be to further enhance the internal controls and mitigating actions in place to reduce risk and to test the procedures added in 2020 to further strengthen their effectiveness. A number of initiatives have been planned for 2021; the below lists some examples.

Risk Management and Internal Audit plans

As noted above, a plan to refresh the risk management and internal audit framework has been agreed by the Chairman of the Audit and Risk Committee and the Executive Risk Committee and will begin in earnest in 2021. This will support the management of the principal risks (and other business specific risks) highlighted above and will enhance the governance and oversight of their management.

AML/KYC

A review of the AML/KYC framework is due to be undertaken in 2021. This will focus specifically on the management of the principal risks (and other business specific risks) noted earlier and to enhance the governance and oversight of their management. This also includes the review of the Sixth Money Laundering Directive which came into force in December 2020. As such an important area for the Group, the Board is keen that this is something that is continually under review and enhanced where possible. As a result of the leadership changes in 2020, we will look to appoint a new Group MLRO in 2021.

Third Party Supplier Due Diligence

An enhanced third-party risk/due diligence policy will be put in place with the aim of documenting third party risk and supplier due diligence requirements. This will include third party fraud prevention, anti-bribery and corruption and will enhance the due diligence process and sign-off the Executive Risk Committee already undertakes.

Viability statement

Viability statement

The UK Corporate Governance Code (the Code) requires the Board to issue a 'viability statement' declaring whether the Directors believe the Company can operate and meet its liabilities, taking into account its current position and principal risks. The overriding aim of the Code is to ensure that the Board focuses on the longer term and is actively involved in the oversight of the risk management framework and internal control environment.

The Board is required to assess the Company's viability over a period greater than twelve months. Our stated financial objective is to deliver long-term capital growth in real terms and to steadily increase income to our shareholders. As such, the Board considers that the Company is a long-term investment vehicle and, for the purposes of this statement, has decided that three years is an appropriate period over which to consider its viability and we have aligned our business planning process and remuneration at a senior level accordingly.

In assessing the viability of the Company over the review period, the Board has considered a number of key factors, including:

Our business model and strategy

- The Board seeks to ensure that the Company delivers long-term performance. The closed ended nature of the investment trust means that the Company does not face liquidity issues when shareholders wish to sell their shares, avoiding any untimely requirements to sell down the portfolio.
- As an investment trust, we benefit from the unique structure of a predominantly UK-based equity portfolio with a diversified revenue stream arising from the IPS business. As shown both historically and during the recent economic crisis brought about by Covid-19, the IPS revenue streams provide protection to the long-term viability of the Company.
- The majority of the portfolio is investments in UK listed securities which are traded on major stock exchanges.
- The Company has an ongoing charge of 0.55%, which is lower than other comparable trusts within our Sector.

Our business operations

- The Company retains ownership of all assets held by the Custodian under the terms of formal agreements with the Custodian and Depositary.
- The Group's cash is all held with banks approved by the Board. The Group's cash balance, including money market funds, at 31 December 2020 totalled £41.8m (2019: £71.2m).
- There is long-term borrowing in place comprising of two debentures; 6.125% debenture maturing in 2034 and a 3.77% debenture maturing in 2045. These are subject to formal agreements, including financial covenants which the Company complied with in full during the year.
- During January 2021, the Company put in place a £50m unsecured overdraft facility with HSBC.
- The Board reviews the Trust performance including revenue forecasts, along with other key metrics such as gearing at each Board meeting and receives regular financial reporting.

In addition to this, the Board carried out a robust assessment of our principal and emerging risks and uncertainties which could threaten the Company's business model, as detailed on pages 32 to 34 of the annual report, along with the controls in place to mitigate these risks.

During 2020 there has been significant global economic volatility bought about by the Covid-19 global pandemic, which has impacted the UK Equity Investment Trust Sector, as many listed companies took steps to suspend or cut their dividend payments. A detailed overview of the response by the Board and Company to Covid-19 can be found on page 63. In light of the current conditions, the Board has considered the Company's current financial position and the potential impact of its principal risks and uncertainties, and has a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due for a period of three years from the date of this annual report.

Section 172(1) statement

Section 172(1) statement

The Board is responsible for the overall strategy and overseeing the management of the Group, setting investment strategy and ensuring that the Company is acting in accordance with its legal and regulatory obligations. Throughout the global pandemic, the Board has been flexible and continued to meet as normal, hosting meetings virtually. During the course of 2020, the Board met seventeen times.

In discharging its responsibilities, the Board takes into account the Group's purpose, value and culture and acts in good faith to promote the success of the Company and to maintain high standards of business conduct. The Board is responsible for overseeing stakeholder engagement and ensuring that we fulfil our obligations to all key stakeholders impacted by the business. We believe that this is pivotal to our ability to drive value creation over the longer-term. Those impacted by the Company's activities can be grouped into the following five main categories: shareholders, clients, employees, principal service providers, the community and the environment.

Shareholders

Engagement with our institutional and retail shareholders is an ongoing process. The Board actively communicates with its shareholders as detailed in the Directors' report on page 54. In addition, meetings are held with shareholders throughout the year, which are attended by Executive Directors along with representatives from the investment manager. During 2020, in-person meetings with investors were largely replaced with virtual meetings due to the spread of Covid-19 and resultant intermittent lock-downs across the UK. Key topics of discussion during the year included prospects and valuation of the IPS business, performance against benchmark, prospects for the UK economy and the investment style and stock selection. We listened to our shareholders and introduced the publication of a daily NAV, along with a full portfolio listing on the website every month and moved to a quarterly dividend.

In February 2021, the Board obtained shareholders' approval to amend the Company's Articles of Association to permit virtual general meetings, including annual general meetings. The Board does not at this time intend to hold virtual only meetings in the future or on an ongoing basis. The Board hopes that this will provide comfort to our shareholders that, where circumstances arise which make it difficult to attend in person, they will still be able to attend, vote and speak at meetings.

When making decisions the Board considers the interests of shareholders as a whole and the need to act fairly as between members of the Company.

The Covid-19 pandemic

The Covid-19 pandemic has had a significant impact on all of our stakeholders since it emerged towards the end of the previous financial year.

This impact and how we have responded to protect our business and manage the expectations of our five key categories of stakeholders is set out in full on pages 61 and 62.

KEY:

- Shareholders
- Clients
- Employees
- Service providers
- Community and the environment

Clients

Ensuring that we provide an excellent service to our clients is crucial to the delivery of the Board's strategy for the IPS business. This year, we have continued to focus on acting as a trusted advisor to our clients across each of our offerings and have sought to introduce innovative ways to better meet the needs of our clients, through the channels we offer our services. In light of the Covid-19 pandemic, we have sought new digital ways to engage with our clients, such as virtual client events and increased our presence on social media.

The Board also receives presentations from each IPS Business Head on a rolling basis throughout the year, including details of client relationship management initiatives and proposed new service offerings to expand the client base. With the rise of remote working, the Board was also particularly concerned to have oversight of the Group's approach to managing cyber security and engaged directly with the Chief Technology Officer to understand the controls in place.

Section 172(1) statement continued

Stakeholders	Key Priorities
Shareholders	Deliver against our stated objective to provide long-term capital growth in real terms and a steadily increasing income.
Clients	Seek to provide an excellent service to all our clients.
Employees	To provide an inclusive and diverse place to work which promotes engagement in the delivery of our long-term strategy.
Service providers	To provide a clear framework and open communication channel between us and our key service providers to facilitate the best possible investment outcomes for our shareholders. Ensure that prompt and accurate payments are made for goods and services across all service providers.
Community and the environment	To act responsibly as an institutional shareholder and to minimise the impact of the Company's operations on the community and the environment.

Employees

In 2019, the Board appointed Mark Bridgeman as its designated Non-Executive Director to gather the views of Law Debenture's workforce. He commissioned an employee engagement survey across the entire employee base, the results of which have been considered by the Board and appropriate action plans have been put in place to address concerns, where required. Employees are also invited to attend and ask questions at an all staff "townhall" presentation from the Executives and investment manager following the result of the half year and annual results. Towards the end of the year, the Company moved head office to provide employees with a modern, comfortable working environment that complies with all relevant safety regulations. Employee wellbeing is ensured through delivery of a range of benefits designed to promote good health including health insurance and access to medical reviews. Independent confidential helpline facilities are provided to enable employees to deal with issues of concern to them, whether work or domestic. As a result of these measures, and senior management's open style, staff turnover is generally low.

Service providers

The Company has regard for all service providers. The investment manager has been identified as the principal service provider with which the Board engages on an on-going basis. The investment manager provides an update on management and performance of the portfolio at scheduled Board meetings.

During the pandemic, the increased use of online communication and out of office working for the investment manager and other key service providers have, to date, also proved to be robust. Aware of the cashflow challenges that many of our suppliers may have been facing, the Group sought to ensure we met our obligations on a timely basis.

Community and environment

We disclose our carbon emissions consumption as part of the Directors' report on page 54. Those emissions relate solely to the maintenance of our various offices around the world. The Group supports certain charities from time to time, particularly where employees have personally organised events, or take part in sponsored activities, that benefit charities related to them or their families. During the course of 2020, the Group has given employees the opportunity to donate the monetary value of any unused holiday to a charity of their choice. The Group is unaware of any human rights issues that might arise from its activities, mindful though of the need to act responsibly as an institutional shareholder (as described on page 35).

Section 172(1) statement

Key strategic decisions impacting stakeholders in 2020

During the year, as the Board made decisions to deliver against our strategy, whilst considering the different interests of our stakeholder groups and the impact of key decisions upon them. The following provides an overview of some of the key decisions taken and how integral our stakeholders are in the Board's decision-making process.

1) Providing Certainty over the Final Dividend

At a time when many companies were cancelling or postponing payment of their dividends, the Board ensured that the Company paid the final dividend for 2019 as approved by the shareholders. Aware that many of our shareholders are dependent on income arising from their investments, the Board delivered on our commitment to move to a quarterly dividend and also provided an early indication that the recommendation would be to at least maintain the dividend at the level of 2019, thus providing some certainty for our investors during turbulent times.

2) Upholding our Investment Strategy

The pandemic placed a strain on global equities valuations and many companies' balance sheets. The Board took the decision to utilise the strength of the Company's balance sheet, to fund dividends out of reserves if necessary, and allowed our investment managers to remain committed to pursue longer term value rather than immediate income receipts. Throughout the year, the Board has been instrumental in supporting the investment managers' position, as a key service provider, to be a net investor in a depressed market, taking the decision to allow the investment managers to increase leverage, with a view to maximising the return for our shareholders.

During 2019, the portfolio was realigned to the AIC UK Equities sector and during the course of 2020, the Board took the decision to remove the previous cap on UK investments, giving our investment managers increased flexibility in their selection of holdings.

3) Investing in the Executive Leadership Team

With the IPS business showing sustained growth over the last three years, the Board recognised that it was time to invest in expanding the Executive Leadership team, to provide greater support to our employees as they seek to provide an excellent service to our clients. Having had an Executive Leadership team compromising of the CEO and the CFO, the Board took the decision to appoint a COO and a General Counsel to ensure that there was sufficient bandwidth within the team to continue to drive growth within the IPS business, which is beneficial to providing a secure source of income for our shareholders.

4) Continued Investment in Delivering Long-Term IPS Revenue Growth

Throughout the course of 2020, the Board has supported the Executive Leadership team in continuing investment to ensure that the growth in IPS revenue was sustainable. There has been ongoing investment into our digital offering with the launch of an ecommerce platform for our Safecall whistleblowing business, amongst other things. The Group has also continued to invest in our people, where supported by revenue growth or a strong business case, incremental hires have been made and we have invested in a training programme for all our staff.

5) Diversification and Strengthening of Revenue Streams

At the end of 2020, we announced the strategic acquisition of the Konexo UK company secretarial business. Having scrutinized the proposed acquisition, the Board believes that this deal significantly strengthens both the corporate services revenue stream, adds to diversification of revenues across the Group and delivers growth in earnings per share for our shareholders.

6) Implementing a New Risk Management Framework

The long-term success of every business is dependent on the appropriate management of risk. During the course of the year, the Board oversaw the implementation of a new risk management framework, of which further details can be found on pages 39 to 45 of this report, and hired a new Head of Internal Audit to modernise the assurance programme across the Group. This provides a clear framework of risk management for our employees and service providers to work within and strengthens our ability to provide sustainable growth for our shareholders.

KEY ● Shareholders ● Clients ● Employees ● Service providers ● Community and the environment

Law Debenture Corporate Services Limited
Company Secretary
25 February 2021

The Board

Robert Hingley

Chairman of the Board, Independent Non-Executive Director N R

Appointed to the Board on 1 October 2017 and appointed Chairman in April 2018.

A corporate financier with over 30 years' experience, Robert was a partner at Ondra LLP until October 2017. From 2010 until 2015, he was a managing director and later senior advisor, at Lazard. He was previously director-general of The Takeover Panel from 2007 on secondment from Lexicon Partners, where he was vice chairman. Prior to joining Lexicon Partners in 2005, he was co-head of the Global Financial Institutions Group and head of German investment banking at Citigroup Global Capital Markets, which acquired the investment banking business of Schroders in 2000. He joined Schroders in 1985 after having qualified as a solicitor with Clifford Chance in 1984.

Robert is currently the chairman of Phoenix Spree Deutschland Limited and of Euroclear UK and Ireland Limited and chairman of Governors at North London Collegiate School. He is also a non-executive director of Marathon Asset Management, a member of the Takeover Panel and a trustee of Park Theatre.

Key skills and experience contributed to the Company include strategy, corporate finance, corporate governance and mergers and acquisitions.

Denis Jackson

Chief Executive Officer

Appointed to the Board on 1 January 2018.

Denis joined Law Debenture in July 2017 as Chief Commercial Officer. He was previously at Capita plc as director of new business enterprise, having been a director at Throgmorton UK Limited (which Capita acquired). Prior to that, he was regional general manager for Europe and the United States at Tibra Trading Europe Limited, a FCA regulated proprietary trading company, which he joined from Citigroup (formerly Salomon Brothers). He spent almost 20 years there in a variety of roles including in Treasury (both in New York and London), as head of the finance desk in Hong Kong, head of fixed income prime brokerage in New York and ultimately, head of EMEA prime brokerage sales.

Key skills and experience contributed to the Company include strategy, commerce, corporate finance and governance and operational and transactional leadership in regional organisations.

Trish Houston

Chief Operating Officer

Appointed to the Board on 2 September 2020.

Trish brings almost twenty years of experience in leadership roles in the financial services industry. Most recently, she was a member of the senior management team at JDX Consulting Limited, where she had executive responsibility for HR, IT and facilities and oversaw the merger of three businesses. Previously, Trish was a partner at Ruffer LLP where she held several roles including global head of HR and global head of Risk. She was also a member of the investment management team in the UK, Australia and Switzerland at PricewaterhouseCoopers LLP.

Key skills and experience contributed to the Company include operational growth, risk management, strategy and human resource management.

Key

R Remuneration Committee
N Nomination Committee
A Audit and Risk Committee
● Committee Chairman

The Board continued

Robert Laing

Senior Independent Director
R A N

Appointed to the Board on 2 April 2012.

Robert qualified as a solicitor in England in 1977 and in Scotland in 1985 and worked for Slaughter and May from 1975 to 1985, when he joined Maclay Murray & Spens LLP. He is currently a non-executive director of The Independent Investment Trust plc and a non-executive advisor to Rossie House Investment Management LLP.

Key skills and experience contributed to the Company include corporate trust, law and corporate governance.

Mark Bridgeman

Independent Non-Executive Director A R N

Appointed to the Board on 15 March 2013.

Mark's background is in fund management. He spent 19 years with Schroders plc as an analyst and then fund manager, rising to become head of global sector research. Previous roles at Schroders included head of Pan European research, head of global sector research and emerging markets fund manager. He was also non-executive director of JP Morgan Brazil Investment Trust plc until November 2020. During his career, he enjoyed successful long-term secondments in Australia and the United States. Mark left Schroders in 2009 to manage a rural estate and farming business in Northumberland and is also on the board of two charities. Mark is currently a director of Country Land and Business Association Limited, Howick Trustees Limited and Otter Arable Limited.

Key skills and experience contributed to the Company include fund management and investment, strategy and corporate finance.

Tim Bond

Independent Non-Executive Director A R N

Appointed to the Board on 14 April 2015.

Tim is currently a partner of Odey Asset Management LLP having joined in 2010 as its head of macroeconomic strategy and currently manages Odey's Odyssey Fund. Before joining Odey, Tim spent 12 years at Barclays Capital as managing director and head of global asset allocation. Tim was editor and principal author of Barclays Capital's Equity Gilt Study and chief advisor to the bank's RADAR Fund. Prior to Barclays, Tim worked at Moore Capital and spent 10 years as a strategist and trader for Tokai Bank Europe, a proprietary trading boutique.

Key skills and experience contributed to the Company include fund management and investment, strategy, corporate finance, ESG matters and distribution to investors.

Claire Finn

Independent Non-Executive Director A R N

Appointed to the Board on 2 September 2019.

Claire's most recent executive experience was at Blackrock, where she spent almost 13 years, becoming managing director and head of UK DC, Unit Linked and Platforms, responsible for strategy, innovation and growth. Previous roles at Blackrock included director/managing director, head of strategic alliances, director of sales and relationship management, and vice president of product development. She previously held roles in product management at Henderson Global Investors (2001 – 2005) and relationship management at Bank of Tokyo-Mitsubishi, London (1999 – 2001). Claire is currently a non-executive director of Artemis Fund Managers Limited, Sparrows Capital Limited and St. Joseph's Catholic Primary School.

Key skills and experience contributed to the Company include fund product development, distribution to retail and institutional investors, strategic innovation and growth in the UK asset management, pensions and insurance industries and corporate governance.

Executive Leadership team

Denis Jackson Chief Executive Officer

Appointed to the Board on 1 January 2018.

Denis Jackson's key strengths are in commerce, corporate finance and strategy with significant experience in operational and transactional leadership in regional organisations. He continues to lead the effective implementation of strategy across the Group and has been instrumental in increasing the profits of the IPS business, enhancing shareholder value and increasing income. He also successfully led the Group's operations during the Covid-19 pandemic and in the acquisition of Konexo UK's company secretarial business.

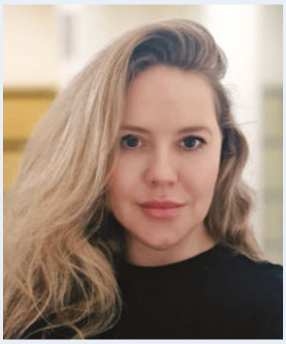
Trish Houston Chief Operating Officer

Appointed to the Board on 2 September 2020.

Trish Houston brings almost twenty years of experience of leadership roles in financial services. Her key strengths are in operational growth, risk management, strategy and human resource management. Trish has already been core to the improvement of the business' operations having spearheaded the implementation of the new HR System for the Group, taken lead on the relocation of Law Debenture's London Head Office to 100 Bishopsgate and been responsible for the operational aspects of the recent acquisition of Konexo UK's company secretarial business.

Hester Scotton Chief Financial Officer

Hester Scotton qualified at Ernst & Young LLP and has over ten years of experience in a variety of finance and internal audit roles at organisations such as Marks & Spencer PLC, Bupa and Legal and General. Since joining Law Debenture, Hester has been instrumental in the modernisation of the finance function and provided significant support in the acquisition of the company secretarial business from Konexo UK.



Kelly Stobbs General Counsel

Kelly Stobbs brings more than ten years' legal experience in private practice as an M&A lawyer at Herbert Smith Freehills LLP, in-house as a corporate and finance senior executive at HSBC at a Group level and latterly as a legal and tax director at Deloitte LLP. As part of her responsibilities as General Counsel, Kelly heads up risk and compliance and the Group company secretarial function. Kelly led on the legal aspects of the recent acquisition of Konexo UK's company secretarial business and has implemented a risk, controls and governance refresh across the Group.

Directors' report

The Directors present their annual report and the audited financial statements for the year ended 31 December 2020. The Company operates as an investment trust in accordance with sections 1158-1159 of the Corporation Tax Act 2010 as amended (s1158-1159) and has been approved as such by HM Revenue & Customs. In the opinion of the Directors, the Company has conducted its affairs so as to enable it to continue to be an approved investment trust under s1158-1159. The Company, which is not a close company, is registered as an investment company as defined in section 833 of the Companies Act 2006 and operates as such. The Directors consider that the Group operates as a going concern.

The corporate governance report forms a part of the Directors' report.

Essential contracts

In the view of the Board, the only contract that is essential to the business of the Group is the investment management agreement with Janus Henderson, details of which are set out in the strategic report.

Financial instruments

The Company's financial instruments, financial risk management objectives and policies arising from its financial instruments and its exposure to risk are disclosed in note 20 to the accounts.

Revenue, dividends and reserves

The Group revenue return attributable to shareholders for the year ended 31 December 2020 was 21.63p per share. The Directors recommend a final dividend of 8.00p per share, which, together with the interim dividend of 6.50p paid in each of July and October 2020 and January 2021, will produce a total of 27.5p per share (2019: 26.0p). The final dividend will be paid on 15 April 2021 to holders on the register on the record date as at 12 March 2021. After deduction of the interim and final dividends of £32,572,000 (2019: £30,788,000), consolidated revenue reserves decreased by £12,358,000 (2019: increase of £4,854,000).

Directors

The Directors at the date of this report are listed on pages 50 and 51. All Directors held office throughout the year other than Trish Houston, who was appointed on 2 September 2020 and Katie Thorpe, who resigned from the Board on 11 September 2020.

All Directors are required to stand for re-election every year (or election at the next AGM following appointment). The list of candidates, which the Board supports, is set out in the notice of annual general meeting. The particular skills and experience that each Director contributes to the long-term sustainable success of the Company and the Group may be found on pages 50 and 51. As mentioned in the Chairman's statement, Robert Laing will not be standing for re-election as a Director of the Company at the upcoming AGM.

Directors' conflicts of interests

The Directors have a statutory duty to avoid conflicts of interest. The Board has in place appropriate procedures to deal with conflicts and potential conflicts, including an annual review, and can confirm those procedures are operating effectively. Whether any new conflicts are to be declared is also considered at each Board meeting. Each Director has declared all matters that might give rise to a potential conflict of interest and these have been considered and (where necessary) approved by the Board.

Regulatory compliance

The Company is subject to continuing obligations applicable to premium listed companies, overseen by the FCA.

Information required to be disclosed in accordance with Listing Rule 9.8.4 is included as referenced below:

Rule	Detail	Where
9.8.4 (1)	Interest capitalised	Note 6, page 104
9.8.4 (7)	Allotment of equity securities	Note 18, page 101
9.8.4 (2-6) (8-14)	Not applicable	N/A

Under the Alternative Investment Fund Managers Directive (AIFMD) the Company is required to appoint an "Alternative Investment Fund Manager" (AIFM), which must be appropriately regulated by the FCA. The Company has elected to be its own AIFM.

The AIFM is required to provide portfolio management, risk management, administration, accounting and company secretarial services to the Company. All of these functions, barring portfolio management which continues to be delegated to Janus Henderson, are undertaken by the Company. The Company has appointed NatWest Trustee and Depositary Services Limited, as depositary under Article 36 of the AIFMD. A fee is payable for this service, being 0.0225% per annum of the calculated monthly NAV. As part of its duties, the depositary is responsible for custody of the Company's portfolio assets, and has appointed HSBC Bank plc (which has been the Company's custodian for many years) as sub-custodian.

AIFMs are obliged to publish certain information for investors and prospective investors and that information may be found either in this annual report or on the Company's website at www.lawdebenture.com/investment-trust/corporate-governance/the-aifmd.

The AIFMD requires us to report on 'leverage'. This is slightly different from gearing, leverage being any method of borrowing that increases the Company's exposure, including the borrowing of cash and the use of derivatives. It is expressed as a ratio between the Company's exposure and its NAV and must be calculated on a 'gross' and a 'commitment' method. Under the gross method, exposure represents the sum of the Company's positions after the deduction of sterling cash balances, without taking into account any hedging and netting arrangements. Under the commitment method,

Directors' report continued

exposure is calculated without the deduction of sterling cash balances and after certain hedging and netting positions are offset against each other. At 31 December 2020, the maximum amount of leverage under the gross and commitment methods was 1.50 and actual amounts were 1.06 and 1.15 respectively.

ESG considerations

The Group gives ongoing consideration to ESG factors in both the management of the investment portfolio and the IPS business. This is reflected in the Chairman's statement on pages 4 and 5, the CEO's review pages 10 to 16 and the investment managers' review pages 18 to 22.

In addition to this, we also consider our greenhouse gas emissions. The Group's carbon emissions arise from its consumption of energy in maintaining its offices. Using conversion factors published by the UK Department for Business, Energy and Industrial Strategy, emissions for the year to 31 December 2020 were 179.65 tonnes of CO2e (2019: 228.63 tonnes of CO2e). This equates to 0.0059 tonnes of CO2e per £000 of IPS revenue (2019: 0.0062 tonnes of CO2e).

None of the entities within the Group (subsidiaries or parent company) meet the streamlined energy and carbon reporting (SECR) regulations at an individual level.

Repurchase of shares

At the 2020 AGM the Directors were given power to buy back 17,753,225 ordinary shares or if less the number of shares equal to 14.99% of the Company's issued share capital at that date. During the year, the Company did not repurchase any of its shares for cancellation. This authority will expire at the 2021 AGM. The Company intends to seek shareholder approval to renew its powers to repurchase shares for cancellation up to 14.99% of the Company's issued share capital if circumstances are appropriate, at the 2021 AGM.

Donations

The Company made no political or charitable donations during the year (2019: £nil) to organisations.

Share capital and significant shareholdings

The Company's share capital is made up of ordinary shares with a nominal value of 5p each. The voting rights of the shares on a poll are one vote for every share held. There are no restrictions on the transfer of the Company's ordinary shares or voting rights and no shares which carry specific rights with regard to the control of the Company. There are no other classes of share capital and none of the Company's issued shares are held in treasury. As at 31 December 2020, there were 118,454,562 ordinary shares in issue with 118,454,562 voting rights. Note 18 includes details of share capital changes in the year.

As at 25 February 2021, there were no shareholders that had notified the Company of a beneficial interest in 3% or more of the issued share capital. Share information as required by section 992 of the Companies Act 2006 appears at pages 33 and 114.

Shareholder relations

The Company encourages communication between management and shareholders on matters of mutual interest. All shareholders, with the exception of employees, on the register are sent a copy of the annual report and the Company also provides this service to shareholders in nominee companies where the nominee has made appropriate arrangements. Shareholders wishing to receive reports and other communications electronically may do so by writing to the Company. In addition to periodic regulatory reports published via the London Stock Exchange, the Company publishes a monthly factsheet on its website about the investment portfolio performance, the quality of which has been recently enhanced.

Investment managers – interests held

Laura Foll held 6,750 shares in the Company as at 31 December 2020 (2019: 1,750). James Henderson did not have a beneficial interest as at 31 December 2020 (2019: nil), although persons connected to him had an interest of 134,000 shares (2019: 100,000 shares). In addition, a charity with which James Henderson has non-beneficial connections owns 117,000 shares (2019: 100,000 shares).

The Company holds no shares in the Janus Henderson Group or their products. It has been notified that funds managed by members of the Janus Henderson Group held 262,519 shares in the Company as at 31 December 2020 (2019: 154,026 shares).

Employee participation/issue of shares

Employees are informed of the financial aspects of the Group's performance through periodic management meetings. Mindful of the Company's paperless initiative, copies of the annual report are made available to employees on request and are available on the Company's website. The Company operates a SAYE scheme in which all UK full-time employees are eligible to participate after completing a minimum service requirement.

Options outstanding under the SAYE scheme as at 31 December 2020 were:

Date of grant	Number of option holders	Shares under option	Exercise price
19 August 2015	2	2,926	512.50p
23 August 2016	7	9,981	495.75p
15 August 2017	12	18,153	594.75p
15 August 2018	22	44,905	606.00p
14 August 2019	16	27,761	592.00p
26 August 2020	23	56,759	539.00p

Directors' report continued

Directors' responsibilities

The Directors are responsible for preparing the annual report and the financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and other applicable laws and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and of the profit or loss for the Group for that period. The Directors are also required to prepare financial statements in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006, subject to any material departures disclosed and explained in the financial statements;
- state whether they have been prepared in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business; and
- prepare a Directors' report, a strategic report and Directors' remuneration report which comply with the requirements of the Companies Act 2006.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the financial statements comply with the Companies Act 2006 and, as regards the financial statements, article 4 of the IAS Regulation.

They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Directors are responsible for ensuring that the annual report and accounts, taken as a whole are fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

Website publication

The Directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the Group's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Group's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Directors' responsibility statement pursuant to DTR4

The Directors confirm to the best of their knowledge that:

- the financial statements have been prepared in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union and give a true and fair view of the assets, liabilities, financial position and profit and loss of the Group; and
- the annual report includes a fair review of the development and performance of the business and the financial position of the Group, together with a description of the principal risks and uncertainties that they face.

Auditors

In the case of each Director in office at the date the Directors' report is approved:

- so far as the Director is aware, there is no relevant audit information of which the Group and Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Group and Company's auditors are aware of that information.

A resolution to re-appoint BDO LLP as auditors to the Company will be proposed at the upcoming annual general meeting.

By order of the Board

Law Debenture Corporate Services Limited
Company Secretary
25 February 2021

Corporate governance report

Corporate governance

The Directors are required to report on how the Company has applied the main and supporting principles in the UK Corporate Governance Code (the Code), and to confirm that it has complied with the Code's provisions or, where this has not been the case, to provide an explanation. This report relates to the Code as published in July 2018, a copy of which may be obtained by visiting www.frc.org.uk. The FRC has recognised that the Board structure of investment companies such as Law Debenture, might affect the relevance of some of the provisions of the Code. The Company has therefore considered the provisions of the Code that are applicable to it as a FTSE 250 listed investment company. This corporate governance statement forms part of the Directors' report and should be read in conjunction with the strategic report on pages 4 to 49.

The Board has concluded that, as demonstrated by the disclosures made throughout the Directors' report, the Company has complied with all of the requirements applicable to it under the Code.

The Board – role, modus operandi and appraisal

The names and biographies of the Directors at the date of this report are on pages 50 and 51 of the annual report. Trish Houston was appointed as an Executive Director on 2 September 2020 and Katie Thorpe stepped down as CFO on 11 September 2020.

The Board is responsible for the overall strategy and management of the Group, setting investment strategy and ensuring that the Company is operating in compliance with statutory and legal obligations. There is a formal schedule of matters specifically reserved for Board decision, published on the Company's website (https://www.lawdebenture.com/investment-trust/shareholder-information/corporate-governance). Matters connected with strategy and management, structure and capital, financial reporting and control, the investment trust portfolio, contracts, shareholder communication, Board membership and other appointments, remuneration and corporate governance are reserved for the Board.

In discharging its responsibilities, the Board takes account of the Group's purpose, value and culture, aiming to promote enhanced value for shareholders in both capital and income terms. The Board sets a cultural tone that encourages openness, diversity and attention to the needs and views of shareholders and those who transact with us through our IPS business.

The Chairman takes personal responsibility for leadership of the Board and ensures that Directors receive accurate, timely and clear information. He reviews channels for the provision of information with the company secretary at least annually.

The Board operates as a collective decision-making forum. Individual Directors are required to scrutinise reports produced by the Executive Leadership team and are encouraged to debate issues in an open and constructive manner. If one or more Directors cannot support a consensus decision, a vote will be taken and the views of a dissenting Director recorded in the minutes.

Procedures are in place to enable independent professional advice to be taken by individual Directors at the Company's expense. Appropriate insurance cover is in place in respect of legal action against the Directors.

The Board meets regularly throughout the year. The attendance records of the Directors (both at meetings of the Board and, where they are a member, meetings of Board Committees) are set out in the table below. There was also a strategy meeting in September 2020, attended by all of the Directors, the Company's corporate broker and certain senior executives.

	Board	Remuneration	Audit and Risk	Nomination
Number of meetings in the year	17	6	8	5
Meetings attended by:				
D. Jackson	17	–	–	–
T. Houston*	8	–	–	–
R. Hingley	16	6	–	5
R. Laing	16	6	8	5
M. Bridgeman	16	5	8	5
T. Bond	14	5	8	4
C. Finn	16	6	8	5

* Trish Houston was appointed on 2 September 2020 and was present at all Board meetings on or after that date.

Whilst not members of the Committees, Denis Jackson and Trish Houston attend meetings at the invitation of the relevant Committee. Similarly Robert Hingley's attendance at Audit and Risk Committee meetings is by invitation only.

During the second half of the year, the Directors participated in an external Board evaluation process, conducted by independent, external consultant, Value Alpha. Value Alpha provides no other services to the Company. Each Director was interviewed on a one-to-one, confidential basis, as were a number of senior stakeholders from the business. A cycle of quarterly Board and Committee meetings was observed. The evaluation focused on Board composition, including Directors' skills, experience and behaviours, Board processes and decision-making mechanisms. The findings of the evaluation were presented to and discussed with the Board in late November 2020.

The evaluation concluded that the Board is performing strongly and represents a healthy platform for the next stage of the Board's and Company's evolution. Behaviours are appropriate, commitment is high and Board meetings are effective.

The following actionable recommendations were made:

- increase investment by the Company in Director development;
- robust succession planning should be put in place for both the Executive and Non-Executive Directors, with the aim of ensuring an appropriate mix of skills in the medium and longer-term;

- consider potential ways to enhance Board engagement with investors;
- Board reports and management information should be streamlined to reflect the changing nature of the business; and
- work should be undertaken to clarify and embed the vision, values, culture and behaviours required to shape the business as it grows.

Actions against each of these recommendations is currently underway. The Board will continue to conduct an externally facilitated performance evaluation every three years and internal evaluations in the intervening years.

Based on the outcome of the evaluation and on the basis that they continued to make valuable contributions and exercise judgement and express opinions in an independent manner, the Nomination Committee has recommended the re-election and election of Directors, as set out in the Notice of AGM on pages 132 and 133.

All Directors are submitted for annual re-election, subject to continued satisfactory performance, which is assessed as previously described. As mentioned in the Chairman's statement, Robert Laing will not be standing for re-election at the upcoming AGM.

There is no maximum number of terms that a Director may serve, other than the Chairman whose tenure is explained on page 58. The Company has established a diversity policy, described in the Nomination Committee's report.

The Board – independence

At least half of the Board, excluding the Chairman, must be independent Non-Executive Directors (NEDs). The Board can confirm that as at the date of this report, excluding the Chairman, four of the six other Directors are independent NEDs. In assessing Directors' independence, the Board takes into account their tenure on the Board, whether or not a Director is independent of management and any material business or other relationship that could affect or interfere with the exercise of objective judgement by the Director, or his/her ability to act in the best interests of the Group. As well as being satisfied that each Director dedicates sufficient time to Law Debenture, the Board is satisfied that none of the Directors are 'overboarded' (having five or more listed company roles). The contribution made by each Director to the Company's and Group's long-term success, is described on pages 50 and 51 of the annual report.

The Chairman, Robert Hingley, was independent at appointment and continued to be independent throughout the period, in the view of the Board, having no current or previous connections with the Company or any of its subsidiaries.

The Board is satisfied that Robert Hingley's other commitments do not interfere with the discharge of his responsibilities to Law Debenture, and that he makes sufficient time available to discharge his duties as Chairman.

Similarly, the Board is satisfied that Robert Laing, Mark Bridgeman, Tim Bond and Claire Finn were independent at their respective dates of appointment and have remained independent, having no previous connection with the Company or any of its subsidiaries.

Denis Jackson and Trish Houston, as Executive Directors, are not independent.

Robert Laing will remain the SID until the date of his retirement and is available to shareholders who have concerns that cannot be addressed through the Chairman, CEO or COO.

Directors' remuneration

Details of the Directors' remuneration appear in the remuneration report on pages 67 to 82.

Board Committees

The Board has established Nomination, Audit and Risk and Remuneration Committees, to each of which it has delegated certain responsibilities. Each Committee has terms of reference, which are reviewed annually and published on the Company's website (www.lawdebenture.com/investment-trust/corporate-governance). Membership of the Committees is reviewed annually. Taking account of the position of the Company as an investment trust, the Board is deliberately kept small and it believes this is in the best interests of shareholders. The Board is satisfied that its composition and size is sufficient to ensure that the requirements of the business can be met.

The membership of the Board and its Committees are fully compliant with Code stipulations.

The Board does not operate a management engagement Committee; the duties of such a Committee are undertaken directly by the Board.

A summary of each Committee is set out below.

Nomination Committee

Members

R. Hingley (Chairman)
T. Bond
M. Bridgeman
C. Finn
R. Laing

Role

To keep under review the structure, size and composition of the Board and its Committees, to make recommendations to the Board about adjustments that are deemed necessary and to ensure effective succession planning in accordance with legal and corporate governance requirements.

Key duties

- identification and nomination of suitable candidates to fill vacancies, with particular regard for the need to develop a diverse pipeline of Board members and senior executives, for Board approval;

Corporate governance report continued

- succession planning (in particular of the Chairman and CEO);
- making recommendations for the election and re-election of Directors; and
- ensuring that the Board and its Committees are constituted to comply so far as practicable with the Code.

The Nomination Committee ensures that the Board has in place arrangements for orderly and transparent appointments to the Board. There are job descriptions in place for NEDs' roles, and the Board has written terms and conditions for such appointments, which will be made available for inspection upon request to the Company Secretary, until the conclusion of the 2021 AGM. Particular care is taken to ensure that NEDs have sufficient time to commit to the duties expected of them and as necessary, diversity issues are considered. No new NED is appointed without first being interviewed by each existing NED and comfort is obtained in relation to their other commitments to ensure they have sufficient time to devote to the role.

All new Directors undergo an induction process, involving presentations by the CEO, COO, CFO, General Counsel, each of the Business Heads and meetings with the investment manager.

For the appointment of Trish Houston, the Committee identified potential candidates through a rigorous selection process against an agreed set of criteria.

The Committee is also responsible for considering the policy on the tenure of the Chairman of the Board. Robert Hingley was appointed to the Board in October 2017 and, in line with the policy on tenure and the recommendations of the Code, he will stand down after nine years although this period may be extended for a limited time to facilitate an effective handover.

The Board diversity policy states that, while the Board remains small, it will endeavour to meet the requirements of the Davies review in 2021. At the date of this report the Company is compliant with the recommendations under the Hampton-Alexander review.

The Committee's approach to performance evaluation and the gender balance of those in senior management is set out at pages 56 and 57, respectively.

Audit and Risk and Remuneration Committees

Following best practice guidelines published by the Financial Reporting Council (FRC), the Audit and Risk and Remuneration Committee reports are published as separate sections of the annual report and can be found at pages 63 to 65 and 67 to 82, respectively.

Accountability and audit, fair balanced and understandable reporting and going concern

The statement of Directors' responsibilities in relation to the financial statements appears on page 55. The independent auditors' report appears on pages 84 to 90. The Directors confirm that the Group and Company are a going concern as evidenced by the financial statements, which demonstrate a healthy position, taking into account all known and future anticipated liabilities, and the Group's ability to meet those liabilities. The performance metrics of the Group remain strong. The trust has outperformed its benchmark by 87.3% over the last ten years and the IPS business has shown positive growth following the introduction of a new management team. There are no material uncertainties that call into question the Company's ability to continue to be a going concern for at least 12 months from the date of approval of the financial statements. The Directors therefore consider it appropriate to adopt a going concern basis in preparing the financial statements.

The Audit and Risk Committee has concluded and the Board concurs, that the financial statements present a fair, balanced and understandable assessment of the financial position and prospects of the Company and the Group. The financial statements are reviewed by the Audit and Risk Committee, approved by the Board and signed by the Chairman and CEO. In the opinion of the Board, the annual report, taken as a whole is fair, balanced and understandable and provides the necessary information for shareholders to assess the Company's and Group's position and performance, business model and strategy.

Internal controls

The framework of internal controls ensures that the Company has sound risk management systems to enable it to operate within the desired risk appetite. The following paragraphs provide a description of the main features of the internal control and risk management systems in relation to the financial reporting process, which fulfil the obligations of the FRC Guidance on Risk Management, Internal Control and Related Financial and Business Reporting and the FCA's Disclosure Guidance and Transparency Rules. This section should be read in conjunction with the strategic report, which sets out how the Directors manage or mitigate the principal risks relating to the Company and Group's business model.

The Board monitors the effectiveness of internal controls on a continuous basis to ensure that internal control and risk mitigation is incorporated into the day to day management of the organisation, both directly through main Board general reviews and by the more specific work carried out by the Audit and Risk Committee. The annual internal audit programme and system of compliance checks have both been developed using

Corporate governance report continued

a risk-based methodology and an evaluation of the existing process controls. Other mechanisms in place to monitor risk include:

- Board review of the Group's matrix of key risks and controls managed by the General Counsel, reporting to an Executive Risk Committee;
- an internal audit function, which involves business departments and business wide processes (including overseas offices) being subject to audit on a regular basis;
- testing by the General Counsel of the FCA regulated business systems and controls;
- testing by the General Counsel of the Company's compliance with its AIFMD obligations;
- review of reports by the depositary and the sub-custodian;
- periodic reports to the Board by the General Counsel about legal and regulatory changes, and the steps that the Board must take to comply; and
- review of the reports produced by the external auditors on their annual audit work.

The Board considers that the above measures constitute continuing application of the FRC risk guidance and form an important management tool in the monitoring and control of the Group's operational risks.

An important element of the overall controls remains a continuous review of the quality and effectiveness of internal financial controls of the Group. During the year, the Board requires that the Group maintains proper accounting records, so that it can rely on the financial information it receives to make appropriate business decisions and also that the Group's assets are safeguarded. This includes having data that allows the Board to consider country and currency exposure and potential impairment of assets (both financial and non-financial).

In November 2020 the Chairman of the Audit and Risk Committee and the Executive Risk Committee agreed a plan to refresh the Group's risk management and internal audit framework. This will enhance the governance and oversight of the management of the Company's principal risks. A risk and controls consultant was added during the year. A risk and compliance learning programme was rolled out to all staff on key topics and policies, including whistleblowing, anti-bribery and corruption and financial crime. A new management and incident reporting framework was also introduced.

Key elements of the systems of internal control continue to be:

- regular qualitative self-assessment of the effectiveness of the individual controls maintained in the overall internal financial control framework;
- preparation by management of a comprehensive and detailed budget, involving annual Board approval and comparison at Board level of actual results with budgets and forecasts at every meeting;
- systematic reporting to the Board of matters relating to litigation, insurance, pensions, taxation, accounting, counterparty risk and cash management as well as legal, compliance and company secretarial issues;
- review of internal audit reports by the appropriate professional services company, Board and the Audit and Risk Committee;
- review of the internal controls of those services, such as investment management, which have been delegated to third parties. This review was conducted during the initial contractual negotiations and on a regular basis, including annual discussions with the senior management and compliance staff of Janus Henderson;
- monitoring by the Board of the investment management process, including the establishment and maintenance of investment guidelines, receiving a report from the investment manager on a quarterly basis, the review of all transactions with the investment manager and regular reconciliations of the records of the Group with those of the depositary and sub-custodian; and
- receipt of frequent and detailed reports about the performance of the IPS business, including the overseas subsidiaries.

The systems of internal financial control are designed to provide reasonable assurance against material misstatement or loss.

By means of the procedures set out above, the Directors have established a robust process for identifying, evaluating and monitoring the effectiveness of the internal control systems for the period. This process has been in place throughout 2020 and will be reviewed by the Board on a regular basis.

Arrangements are in place by which staff of the Group may, in confidence, raise concerns under the Public Interest Disclosure Act 1998 about possible improprieties in matters of financial reporting or other matters. Whistleblowing capability has been enhanced as part of the changes made to the whistleblowing policy, with several senior colleagues undergoing specialist investigative training to manage reports as they come in. Any concerns which are raised will be subject to proportionate investigation, with appropriate follow up action as per the policy. There is a clearly defined reporting structure with colleagues having the option to raise any concerns with their line manager, the General Counsel and HR Manager or if those avenues are not appropriate, to the Chairman of the Audit and Risk Committee, who is the employee representative of the Board.

Information about share capital

The information that the Company is required to disclose about its share capital can be found in the Directors' report (significant holders) and AGM notice (total voting rights).

Corporate governance report

Annual general meeting (AGM)

Details of the 2021 AGM are set out at pages 132 and 133.

The Board recognises the value of the AGM as an opportunity to communicate with shareholders and encourage their participation. Separate resolutions are put to the AGM on each substantially separate issue. The number of votes lodged for and against each resolution and the number of votes withheld is published immediately after the AGM to the London Stock Exchange and on the Company's website. In line with governance recommendations, if 20% or more of the votes cast are against any Board resolution, the Company would announce what action it intended to take to consult shareholders' views and provide a summary of the outcome. The Board confirms that none of the resolutions put to shareholders at the AGM in 2020 received votes against above 20% of the votes cast. The notice of the AGM and related papers are sent to shareholders at least 20 business days before the meeting. Where requested by nominee holders, annual reports and related documentation are circulated to beneficial owners and the Company is happy for beneficial owners to attend the AGM and (where appropriate arrangements have been made with the nominee) to vote their shares in person.

On 11 February 2021, at an Extraordinary General Meeting, amendments to the Company's Articles of Association allowing shareholders to attend, speak and vote electronically at the 2021 AGM and subsequent AGMs and general meetings, were approved. Accordingly, this year's AGM will be held electronically to provide shareholders with the opportunity to participate by virtual means, given the ongoing Covid-19 related restrictions at the time of the approval of the Notice of AGM.

Photo credit: Charles Hosea

Covid-19 Response

Our response to Covid-19: governance in action

During the global pandemic, there have been three main bodies responsible for managing and monitoring the impact of Covid-19 on the business, that have worked together to protect the interests of our key stakeholders.

Response teams

The Board

The Board has overseen the business' Covid-19 response and it has worked with the Executive Leadership team to consider multiple scenarios associated with the pandemic, reviewed and considered potential response options and set expectations for the Group's approach with consideration for each of the key stakeholders. The Board has asked the Executive Leadership team to keep them updated on the performance of both the investment portfolio and the IPS business, along with reviewing the implementation of the government's guidelines to manage the pandemic. During the extended UK 'lockdown' in the Spring, after the World Health Organization declared the virus a pandemic, the Board had additional meetings by phone or online at least fortnightly to monitor the Group's ongoing response.

Executive Leadership team

As the Executive Leadership team was responsible for the day-to-day operation of the business, they have overseen the business' Covid-19 response under the guidance of, and as directed by, the Board. From reviewing the impact on revenue to ensuring the smooth transition to remote working, the Executive Leadership team continues to take operational decisions in line with the Board's strategic approach, ensuring that the Board can remain focused on the long-term strategic issues and decisions associated with the pandemic. During the height of the pandemic as the Group transitioned into new ways of working, the Executive Leadership team worked closely with the IPS Business Heads.

Executive Risk Committee

The Executive Risk Committee has representation from finance, operations, IT and legal, risk and compliance and has been responsible for providing oversight of the actions required to minimise the impact of the pandemic on business operations. It has worked with the Executive Leadership team to highlight any key risks emerging and ensured that appropriate measures have been implemented to safeguard the well-being of our people. During the height of the pandemic, the Executive Risk Committee met weekly.

Operations

On 23 March 2020, the Group transitioned to full remote working. Having monitored the situation closely the Group's Chief Technology Officer, with support from the Executive Risk Committee, took steps to ensure that the business would be ready to make such a transition. This, coupled with the investment in modernising our IT infrastructure over the preceding eighteen months, meant that there was a limited but manageable impact on business operations.

During the initial phase of 'lockdown', the Board met on a fortnightly basis to monitor the key performance indicators such as the performance of the portfolio and to provide guidance to the Executive Leadership team and the investment managers on the response to Covid-19. This enabled the investment managers to continue to pursue their strategy and take advantage of market conditions, being net investors in the depressed market. During this time our gearing peaked at 19%. The Executive Leadership team also sought to ensure that all suppliers received timely payments to minimise impact on their cashflows.

Our people

The safety and well-being of our people is of the utmost importance to the Board and the Executive Leadership team. We have sought to engage our staff to ensure that their needs were met. We ensured that there were regular communications both through 'all staff' calls, team meetings and email communications. We have made our offices available to those who have been unable to work from home, which has been adjusted to comply with the Government's health and safety guidelines relating to Covid-19.

To assess whether we were meeting the needs of our staff, a staff survey was commissioned, for which the results were overwhelmingly positive. The successful transition to remote working and the nature of the IPS business has meant that there has been no requirement for the Group to furlough workers or to make any demands on Government schemes to support business operations.

Balance sheet resilience

The Board and the Executive Leadership team have actively monitored the cash position across the Group throughout the year, mindful of our commitment to pay quarterly dividends to shareholders. As of year-end, the Group held cash of £41.8m. In addition to this, the Company has secured an overdraft facility of £50m to protect against any significant fall of cash inflows. This has been declared as a post balance sheet event.

Revenue

In the early stages of the Covid-19 crisis, the potential impact of the crisis led to the reforecast of income for 2020, which has been monitored throughout the year. As reflected in our CEO's review on pages 10 to 16, the IPS business has proved resilient, with revenues growing 8.5% during 2020.

Covid-19 Response continued

As with many equity based portfolios, the overall portfolio dividend income declined. Despite the backdrop of companies cutting, postponing and cancelling dividends, the Board sought to provide certainty to our shareholders by not only paying the declared 2019 dividend but also confirming our intention to at least maintain the 2020 dividend at the 2019 level, utilising some of our reserves if required.

Structured finance covenant checks

The Company is required to monitor the debenture covenants on a monthly basis. During the height of the turbulence within the equity markets, this was monitored daily by the CFO and reported up to the Board. Despite the sharp drop in asset prices during March 2020, the Company remained well within the requirements of the covenants and this remains the case, with no future looking concerns identified through the forecast undertaken.

Actions taken

A snapshot of how the Board sought to comply with its duty under section 172 of the Companies Act 2006 during the year while navigating the macro environmental impact of Covid-19 and the expected long-term effects of those decisions is set out below in a case study.

Other ways in which the Board adhered to its duties under section 172 of the Companies Act 2006 are provided on page 47.

Covid-19 case study

The effects of Covid-19 on the operations of the Group are unprecedented, having resulted in the Board and the Executive Leadership team expediting new ways of operating and servicing clients. Remaining cognisant of its duty under section 172 of the Companies Act 2006, the following is a summary of actions taken since the start of the pandemic and the long-term solutions that have been implemented, ensuring the safety of our staff, business continuity, service excellence and ultimately, income growth.

First response to Covid-19 working

- Daily monitoring of the virus and UK Government's response.
- Daily all staff e-mail communications were circulated with updates on the virus, Government guidance and the business' response with regular invitations for employee queries and concerns.
- Testing of the resilience of the IT infrastructure and preparation for business-wide remote working.
- Frequent management meetings around Covid-19 and regular reports to the Board on the impact to the portfolio, staff and the IPS business.

Remote working

- Daily and weekly communications provided by the Executive Leadership team. Once stability was achieved, updates were provided periodically, including remarks from Non-Executive directors during virtual staff presentations.
- Regular reminders sent to staff on available channels to voice mental health and welfare concerns.
- Covid-19 staff survey issued to gauge employees' views on management's response to the pandemic and any other concerns.
- Results of the staff survey were positive and were shared with the Board and with staff. Actions were taken to address any concerns raised.

Safety and flexible working

- 100 Wood Street office adjusted and consistently deep cleaned to comply with government guidelines on maintaining a Covid-secure environment for those returning to the office.
- The Company offered to cover the costs of Covid-19 testing kits for employees.
- Guidelines circulated to staff on precautions to be adopted where opting to work in the office.
- Office re-opened to staff who voluntarily chose to work in the office.
- Flexible working policy devised and released on a trial basis for possible long-term implementation.
- 100 Bishopsgate office fitted to accommodate social distancing and other required safety measures to permanently ensure the safety of all staff, clients, advisors, suppliers and visitors.
- Implementation of paperless initiative across the Group where possible, reducing our carbon footprint and surfaces to aid in combating the spread of Covid-19.

Audit and Risk Committee report

Annual statement by the Chairman of the Audit and Risk Committee

I am pleased to present the Company's Audit and Risk Committee report for the year ending 31 December 2020.

The Committee was comprised at the year-end of Robert Laing, Tim Bond, Claire Finn and me. Robert Hingley, whilst not a member of the Committee, is invited to attend.

During the year the Committee approved the new terms of reference to reflect more clearly that the Committee also considers risk-related matters as part of its role.

Role and duties

The main function of the Audit and Risk Committee is to assist the Board in the management of the Company's financial reporting structure, internal controls and risk management, external and internal audit and compliance functions. Our key duties are as follows:

Financial reporting

- Monitoring the integrity of the financial statements including the annual and half-yearly reports, preliminary announcements and any other formal statements or announcements relating to the Company's financial performance.
- Reviewing and reporting to the Board on significant financial reporting issues (if any) and judgements which those statements contain.
- Providing review and challenge where necessary over key areas of judgement, including the assumptions or qualifications in support of the going concern statement and the Company's ongoing viability and risks thereto.

Internal controls and risk management

- Reviewing the adequacy and effectiveness of the risk management and internal controls framework.
- Advising the Board on the Company's overall risk appetite, tolerance and strategy, and the principal and emerging risks the Company is willing to take in order to achieve its long-term strategy and objectives.
- Reviewing the inherent and emerging risks in the business and the system of internal controls necessary to monitor such risks. Where requested by the Board, provide them with assurance of the robustness of the management of principal risks.
- Reviewing regular reports from the General Counsel and Executive Risk Committee (which is responsible for day-to-day management of the operational risk within the Group), and other applicable persons on risk and internal control matters and the adequacy and effectiveness of the control functions.

External audit

- Making recommendations to the Board on the appointment or reappointment of the external auditors.
- Monitoring the quality, independence and objectivity of the external auditors, their performance and agreeing their remuneration.
- Developing and implementing policy on the engagement (or not) of the external auditor for non-audit services.

Internal audit

- Monitoring the effectiveness of the Head of Internal Audit's work and overseeing the implementation of any corrective actions.
- Approving the internal audit programme in the context of the Company's overall risk management system and ensuring it is aligned to the key risks of the business. I have agreed a refresh of the risk and internal audit plan for next year to enhance risk management and internal controls across the Company and the Group.
- Ensuring internal audit has sufficient access to perform its function effectively and in accordance with relevant standards.
- Reviewing reports from the Head of Internal Audit and considering any major findings from their work and monitoring management's responsiveness to Internal Audit's findings and recommendations.

Audit and Risk Committee report continued

Compliance

- Reviewing regular reports on compliance matters and keeping under review the adequacy and effectiveness of the Company's and the wider Group's compliance reporting and obligations.
- Reviewing regular reports from the Money Laundering Reporting Officer and the adequacy and effectiveness of the Company's and the wider Group's anti-money laundering systems and controls.
- Reviewing the Company's and wider Group's procedures, systems and controls for ethical behaviour and the prevention of fraud, bribery and modern slavery and to receive reports on non-compliance (if any) and overseeing the implementation of any corrective actions.
- Reviewing the arrangements in place for Group staff, contractors and external parties in confidence to raise concerns about possible improprieties in matters of financial reporting or other matters insofar as they may affect the Group (whistleblowing). The Committee ensures that these arrangements allow proportionate and independent investigation of such matters and appropriate follow-up action.

As part of my duties as Committee Chairman, I met with the audit partner and also with the Chief Financial Officer, General Counsel and Company Secretary to discuss matters of significance.

The Committee considers that I have recent and relevant financial experience due to my extensive experience as a fund manager and from my executive management experience. Similarly, Tim Bond satisfies the requirement as an active fund manager. The Committee as a whole has competence relevant to the sector in which the Company operates.

Principal activities of the Committee

During the year, the Committee's business included:

- Consideration of the annual report and financial statements and of the half yearly report and statements including consideration of the final and interim dividends.
- Consideration of the principal risks and controls and general oversight of the Group's internal control systems and procedures including in the context of reports by the Depositary, the Company's obligations as an AIFM and the heads of business and functions with respect to the IPS business.
- Meetings with the external auditor to discuss the 2019 financial statements and, in the fourth quarter, to plan the 2020 audit. These meetings included discussions on fees, auditor independence, key risks and developments in accounting standards.
- Review and approval of the internal audit programme.
- Consideration of all internal audit reports.
- Review of reports about reconciliations, procedures in place to prevent fraud and anti-bribery and corruption and anti-money laundering.

Shortly after the year end, the Committee met with the external auditors to discuss the 2020 financial statements and the outcome of that discussion is set out below.

Risk management, internal control and internal audit

The approach to risk management adopted by the Group is set out in the Principal Risks and Internal Controls section on page 39. The Board as a whole is responsible for the effectiveness of internal control mechanisms, but it is informed by more specific work carried out by the Audit and Risk Committee, which includes the initiation and oversight of any investigations that may be necessary to address control weaknesses or breaches, as identified.

In particular, the Committee reviews the adequacy and effectiveness of the Group's risk management systems and processes. The General Counsel reports through the Executive Risk Committee, but in line with good practice in this area, the Committee's Terms of Reference give her the right to report directly to me on any specific matter of concern. The General Counsel also provides quarterly reporting on risk matters to the Committee.

The internal auditor, who reports to me as Chairman of the Audit and Risk Committee, presents their annual audit programme to the Committee for approval each year and attends Committee meetings, presenting all of their reports including management's actions in response to the findings and recommendations. The internal auditor has the right, should they wish, to meet separately with the Audit and Risk Committee to raise any matters of concern that may arise (although they did not need to do so during the year under report).

The Committee is satisfied that the quality, experience and expertise of the internal auditor is appropriate for the business. Wilfred White retired in September 2020 and was replaced by Jocelyn Williamson.

Engagement with the FRC

During the second half of the year, we received a letter from the Financial Reporting Council Corporate Reporting Review team as part of its ongoing monitoring of UK corporate reporting. This letter informed us that it had carried out a review of our 2019 Annual Report and Financial Statements, and that at this stage, the review had not raised any further questions or queries which required a substantive response. A small number of disclosure points were also noted as part of the review which require minor amendment and as a result, we have enhanced the relevant disclosures in our 2020 Annual Report and Financial Statements.

Audit and Risk Committee report continued

The Financial Reporting Council (FRC) requested that it be made clear the inherent limitations of the review; in particular it noted in its letter that its review provides no assurance that the 2019 Annual Report and Financial Statements are correct in all material respects and that the FRC's role is not to verify the information provided but to consider compliance with reporting requirements. The FRC also noted its review did not benefit from detailed knowledge of the Group's business or an understanding of the underlying transactions entered into.

External auditors – assessing effectiveness

One of the most important functions of the Committee is to monitor the independence and objectivity of the auditors, their performance and effectiveness. The Committee achieves this by an annual formal meeting with the audit partner to plan that year's audit. Part of that process requires the auditor to give the Committee written assessment of how the audit team identifies and manages the threats to its independence, along with the description of the safeguards that it has in place to avoid such threats. This vital part of the audit process also enables the Committee to examine in detail the scope of the audit, ensuring that the auditor's objectives meet the Committee's own expectations, along with key audit and accounting matters to be considered that year.

At the conclusion of each audit, the Committee receives a presentation from the audit partner on the principal findings. This provides the opportunity for robust challenge, particularly in areas where management judgement has been required. The Committee will also give the auditors an opportunity, without the Executive Leadership team present, to comment on the quality and standard of the executive's performance generally and during the audit. Similarly, the Committee will seek the views of the Executive Leadership team on the effectiveness and performance of the audit team. There were no matters of concern raised during the period under review.

Non-audit services

Non-audit services provided by the auditor are reviewed by the Committee to ensure that independence is maintained. Non-audit fees are shown at note 3 to the accounts. The Committee's policy is that non-audit work should be limited to those matters where the external auditor is most appropriately placed to carry out the work, unless there is a conflict of interest. Consequently, fees for non-audit services have historically been low and in the year under review were £9,000 (2019: £13,600).

Significant financial issues relating to the 2020 accounts

The Code requires us to describe any significant issues considered in relation to the financial statements and how those issues were addressed.

No new significant issues arose during the course of the audit. As reported in previous years, an area of consideration is that relating to bad debt provisions.

Management makes an estimate of a number of bad debt provisions for non-collection of fees and costs as part of the risk management and control framework.

Other issues that arose included: the risk that portfolio investments may not be beneficially owned or correctly valued; and that revenue is appropriately recognised. The Committee has received assurance on these matters from management.

The Committee is satisfied that the judgements made by management are reasonable and that appropriate disclosures have been included in the accounts. Taken in its entirety, the Committee was able to conclude that the financial statements themselves and the annual report as a whole are fair, balanced and understandable and provide the necessary information for shareholders to assess the Company and Group's position and performance, business model and strategy. That conclusion was reported to the Board.

Mark Bridgeman
Chairman, Audit and Risk Committee
25 February 2021

Photo credit: Jason Hawkes

Annual remuneration report

Part 1 Remuneration Committee Chairman's annual statement

Dear Shareholder

On behalf of the Board, I am pleased to present the Directors' Remuneration Report for the year ending 31 December 2020. This year we have continued to work on enhancing the report to improve transparency and clarity for all stakeholders and maintain alignment with governance best practice.

Financial and operational highlights

2020 has been a challenging year for both our staff and our clients, with many having first-hand experience of the impact of Covid-19. As an organisation, we have been in the fortunate position that we have not had to draw upon any of the Government Support Schemes, nor have we had to place any of our staff on furlough. The Board is very grateful for all the hard work that the Executive Leadership team have put in to minimise the effects of the pandemic and to ensure that, despite the constraints imposed by working from home and social distancing, all our staff were able to continue to focus on delivering on our objectives of producing long-term capital growth and steadily increasing income for our shareholders.

As a result, 2020 was another encouraging year for our IPS business with revenue growth of 8.5%, an increase in profit before tax of 6.6% and an increase in earnings per share of 9.5%. This builds on the momentum of last year and is a positive reflection of the efforts of all our staff and the success of our new management team. Please refer to the Chairman's statement on pages 4 and 5 for further overview of the financial and operational highlights for 2020.

Towards the end of the year, we were pleased to announce the acquisition of the company secretarial services business of Konexo UK, a division of Eversheds Sutherland (International) LLP. We completed this acquisition in January and the successful integration of this business should generate approximately £2m of additional profit for the IPS business in 2021.

Management changes

In May 2020, our CFO, Katie Thorpe, announced her intention to leave Law Debenture in October 2020. Following this announcement, the Board oversaw the restructuring of the Executive Leadership team and, on 2 September 2020, Trish Houston joined Law Debenture as COO, and was appointed as an Executive Director at the same time.

As part of the restructuring, the Executive Leadership team was expanded to include Hester Scotton, who was promoted to CFO in October 2020, and Kelly Stobbs, who was appointed as General Counsel on 2 June 2020.

Performance outcomes for 2020

Annual bonus outcomes for 2020

As indicated in last year's report, the maximum annual bonus opportunity for directors was set at 100% of salary for 2020 and the performance measures were based 50% on financial targets with the remainder based on non-financial measures aligned to the strategic priorities of both the IPS business and the Company as a whole. The financial target was based on the percentage growth in IPS Profit before Tax (PBT) ranging on a straight line basis from 3% at threshold to 8% as a stretch target. This target has been set to reflect the impact that Covid-19 has had on market conditions. Management delivered well against this target achieving growth in IPS PBT of 6.6%.

As mentioned previously the Company did not draw upon any of the Government Support Schemes or place any staff on furlough during the year and furthermore, has generated a share price total return of 12.9% and a growth in NAV of 3.6% over the same period. In view of the positive outcome for the IPS business in what has been a difficult year and the progress that has been made in achieving various strategic objectives, including the recruitment of new senior management, continuing the process of overhauling the IT systems completely, the move to the new head office, as well as their support in numerous meetings with shareholders,

Annual remuneration report continued

we have decided to award a bonus of 85% to the CEO and 85%, pro-rated, to the COO. The Committee determined that the annual bonus outcomes for 2020, based on the application of the performance conditions, were in line with the overall performance of the business and have not applied their discretion in assessing the Executive Directors' remuneration.

Implementation of the policy in 2021

Salary and benefits

The Committee has reviewed the performance of the Executive Directors during 2020. The Remuneration Committee will normally limit Executive Director salary increases to the level of increase for the wider workforce. With inflation, measured by CPI, in the UK at 0.8%, pay increases across the organisation will only be awarded to those employees whose roles and responsibility have materially changed, during the course of 2020, or on an exceptional merit basis. To align with this, the Committee is proposing not to award a pay increase for the CEO and the COO. Their salaries will remain at £325,000 and £230,000 respectively. The Executive Directors' pension contributions will continue to be aligned with the workforce at 12% of salary or cash equivalent.

Bonus

The maximum bonus opportunity will remain unchanged at 100% of salary for 2021, with 50% of performance measures based on IPS financial targets and with the remainder based on non-financial measures aligned to the current strategic priorities of both the IPS business and the Company as a whole. Further details are provided on page 75 of this report. The specific targets will be published together with the bonus outcome in the Annual Report on Remuneration for 2021. The deferral requirement for the Executive Directors is that half of any bonus earned above £100,000 will be deferred in shares for three years.

The Executive Directors will each receive LTIP awards of 100% of salary in 2021 which will vest based on 3-year IPS EPS targets ranging from 4% p.a. growth at threshold (at which 25% of the award vests) to 10% p.a. at stretch. The calculation of the base EPS targets for the LTIP will be adjusted to reflect the increase in profit expected from acquisition of the company secretarial business of Konexo UK referred to above. Given the internal business plan, analyst forecasts, the historically flat performance of the IPS business, and economic uncertainty, the Board believes that to sustain the proposed stretch level of earnings growth for three years would be exceptional. Any shares vesting must be held for a further two years. Further details are provided on page 72 of this report.

Wider workforce considerations and fairness

The Committee has carefully considered remuneration arrangements across the Group. The Committee receives information on wider workforce remuneration of our staff, ensuring they have a good understanding of the structure and application of the reward policies throughout the Group.

In line with the provisions of the 2018 UK Corporate Governance Code, various methods of communication (including presentations, email correspondence and availability for digital meetings) have been utilised by the Board and Executive Leadership team to raise employee awareness of the role and engagement with the Board more broadly. Work continues to look at the use and frequency of employee engagement surveys to ensure that our people have a forum to share their views. As part of this, we undertook a number of surveys to measure our response to Covid-19 with management receiving positive feedback from staff.

Conclusions

I will be stepping down as Non-Executive Director for Law Debenture, having served nine years on the Board. I will be handing over the role of Chair of the Remuneration Committe to Claire Finn from 7 April 2021. I hope that you have found my letter useful and the accompanying report informative and clear. Shareholders voted to approve the new Remuneration Policy at the AGM in April 2020 and we are not proposing any additional changes to the Remuneration Policy. We hope shareholders will be able to give their support to the resolution approving the Company's remuneration report at the AGM in April 2021. I am grateful for the engagement and support provided by our shareholders and I will be available at the AGM to answer any questions in relation to this Remuneration Report.

Robert Laing
Chairman, Remuneration Committee
25 February 2021

Annual remuneration report continued

REMUNERATION COMMITTEE MEMBERSHIP AND ACTIVITIES DURING 2020

Members

The members of the Committee who served during the year were:

R. Laing (Chairman)
R. Hingley
T. Bond
M. Bridgeman
C. Finn

Details of Committee meetings and attendance can be found on page 56.

Key activities of the Committee during the year included:

- determining 2020 annual bonus outcomes and payments;
- preparing the 2020 Directors' Remuneration Report;
- determining salary adjustments for the Executive Directors and senior managers;
- setting performance objectives, annual bonus measures and targets for 2021;
- reviewing the operation of the annual bonus;
- benchmarking pay for the Executive Directors and senior managers;
- determining executive pay for 2020, including performance conditions for the LTIP awards in 2021;
- reviewing the workforce engagement mechanism;
- review of Remuneration Committee Terms of Reference; and
- reviewing Gender Pay Gap reporting.

Support provided to the Committee

PricewaterhouseCoopers LLP (PwC) was appointed by the Remuneration Committee on 14 February 2019 as independent adviser following a formal selection process. PwC is a founding member of the Remuneration Consultants Group and voluntarily operates under its Code of Conduct in its dealings with the Committee. PwC's fees charged for the provision of independent advice to the Committee during the year were £48,000. Other than in relation to advice on remuneration, PwC provides support to the Company in relation to valuation of the IPS business and tax advice. The Committee is satisfied that PwC does not have connections with the Group that may impair their objectivity and independence.

During the year, the Committee also took advice from the CEO, whose attendance at Committee meetings was by invitation from the Chair, to advise on specific questions raised by the Committee and on matters relating to the performance and remuneration of the senior management team. No Director was present for any discussions that related directly to their own remuneration.

Key responsibilities of the Committee

The Committee's terms of reference are published on the Company's website (www.lawdebenture.com/investment-trust/corporate-governance). The key responsibilities of the Remuneration Committee are to:

- determine the Remuneration Policy for Executive Directors and senior managers (including the Company Secretary) in compliance with legal and governance requirements and in the context of pay and conditions across the workforce, engaging with shareholders thereon;
- determine the individual remuneration packages for Executive Directors and senior managers;
- approve the remuneration package of the Chairman;
- consider the design of, determine targets for and review outcomes for the annual bonus plan;
- determine the design of, quantum and performance conditions for long-term incentive plans;
- review workforce remuneration and related policies across the Company as a whole;
- review pension arrangements, service contracts and termination payments for Executive Directors; and
- approve the Directors' Remuneration Report, ensuring compliance with legal and governance requirements.

Part 2: Annual remuneration report

Remuneration Policy table including 2020 outcomes and 2021 implementation*

SALARY AND BENEFITS		
Purpose	To provide an appropriate level of salary and competitive benefits package to attract and retain individuals of the required calibre to successfully deliver the business strategy.	
Operation and Opportunity	Salary	Benefits
	Salary levels will relate to: • the nature of the role; • individual skills, experience and performance; • performance of the business and the external economic conditions; • appropriate market data; and • pay and conditions elsewhere in the Company. There is no maximum salary under the policy. The Committee will consider salary increases for the senior management team and these will normally be in line with those of the wider workforce. Increases may be made above this level in certain circumstances, including but not limited to: • an increase in scale, scope or responsibility of the role; • to ensure salaries remain market competitive; and • where individuals have been recruited or promoted with salaries below the targeted policy level initially and have become more established in their role.	Executive Directors are entitled to receive those benefits available to all Law Debenture employees generally, such as participation in all employee share plans, sickness pay, private medical insurance, life assurance cover, disability income plan, season ticket and parental leave. Benefits are not pensionable. Other benefits may be introduced from time to time to ensure the benefits package is competitive and reflects the circumstances of the individual Director, for example relocation allowances. The Remuneration Committee may award non-pensionable cash payments in lieu of one or more of these benefits.
Performance Framework	None	
Outcomes for 2020	Denis Jackson's annual salary was £325k. He also opted to participate in the Company health care plan.	Trish Houston's annual salary was £230k, pro-rated since her appointment on 2 September 2020.
Implementation in 2021	Denis Jackson's salary and benefits are unchanged in 2021.	Trish Houston's salary and benefits are unchanged in 2021.
PENSION		
Purpose	To provide funding for retirement at market competitive levels.	
Operation and Opportunity	Executive Directors may receive pension contributions to a personal pension scheme and/or cash allowances in lieu of contributions. Executive Directors (including current incumbents and new Directors) receive a contribution of 12% of salary in line with the contribution for the wider workforce.	
Performance Framework	None	
Outcomes for 2020	Denis Jackson received the cash allowance in lieu of contributions equivalent of 12% of salary.	Trish Houston received the cash allowance in lieu of contributions equivalent of 12% of salary.
Implementation in 2021	Denis Jackson's pension contributions are unchanged in 2021.	Trish Houston's pension contributions are unchanged in 2021.

* Katie Thorpe resigned as an Executive Director on 11 September 2020 and her remuneration in relation to 2020 is disclosed on page 77 of this report.

Annual remuneration report continued

ANNUAL BONUS		
Purpose	To incentivise and reward the achievement of annual business objectives to enable successful implementation of the Group strategy, and to align the interests of Executive Directors with shareholders and support retention.	
Operation and Opportunity	Performance measures, targets and weightings are set at the start of the year. At the end of the year, the Committee determines the extent to which the targets have been achieved and the resulting proportion of the maximum individual opportunity payable to Executive Directors. Half of any bonus earned above £100,000 will be deferred in shares for three years. Dividend equivalents may accrue on deferred bonus awards and be paid on those shares which vest. The Plan contains malus and clawback provisions (see below for details).	Maximum individual annual bonus opportunity is 100% of base salary. The total aggregate annual bonus payment for Executive Directors is capped at 25% of the general bonus pool for employees. 20% of the maximum will be payable for threshold performance and 50% of the maximum will be payable for on-target performance, with full payment for stretch performance. Payment increases on a straight-line basis between threshold, target and stretch.
Performance Framework	Performance measures, targets and weightings are determined each year to reflect key business priorities and are measured over a period of one financial year. A minimum of 50% of the bonus is based on financial measures. The remainder is based on non-financial measures aligned to the strategic priorities of the business and may also contain individual performance objectives.	
Outcomes for 2020	Denis Jackson is recommended to receive a 85% bonus. The basis for the award is explained on page 75.	Trish Houston is recommended to receive a 85% bonus, pro-rated. The basis for the award is explained on page 75.
Implementation in 2021	The maximum individual annual bonus opportunity continues to be 100% of base salary.	The maximum individual annual bonus opportunity continues to be 100% of base salary.
LTIP		
Purpose	To drive sustained long-term performance that supports the creation of shareholder value, and to encourage and facilitate substantial long-term share ownership.	
Operation and Opportunity	An award of conditional shares or nil cost-options may be granted annually. Awards vest after three years, subject to performance and continued employment. Following vesting, an additional two-year holding period will apply (net of tax), such that shares are not released until five years from grant. Award levels and performance conditions are reviewed in advance of each grant to ensure they remain appropriate.	Dividend equivalents may accrue on shares held under the Plan and be paid on those shares which vest. These will be delivered in shares in line with the Investment Association Guidelines. Maximum award of 100% of salary. 25% of the award will vest for threshold performance, with full vesting for stretch performance. Vesting increases on a straightline basis between threshold and stretch.
Performance Framework	At least half of the award will be based on financial measures, normally profit-based measures linked to the IPS business. The Committee has discretion to adjust the formulaic vesting outcome to reflect underlying Company performance. Any adjustments or discretion applied by the Committee will be fully explained in the following year's Remuneration Report.	
Outcomes for 2020	Denis Jackson was awarded an LTIP of up to 100%, subject to meeting the performance conditions.	Trish Houston was not eligible for an LTIP award in 2020.
Implementation in 2021	Denis Jackson will be awarded an LTIP of up to 100%, subject to meeting the performance conditions.	Trish Houston will be awarded an LTIP of up to 100%, subject to meeting the performance conditions.

Annual remuneration report continued

Remuneration Policy table including 2020 outcomes and 2021 implementation continued

SHAREHOLDING REQUIREMENTS		
Purpose	To provide alignment between the interests of the Executive Directors and our other shareholders.	
Operation and Opportunity	The Executive Directors are required to build and maintain a minimum shareholding of two times base salary. Executive Directors are required to retain 50% of the post-tax number of vested shares from the Company incentive plans until the minimum shareholding requirement is met and maintained. On cessation of employment, Executive Directors are required to retain their minimum shareholding requirement immediately prior to departure for two years. Where their actual shareholding at departure is below the minimum shareholding requirement, the Executive Director's actual shareholding is required to be retained on the same terms and for the same periods. In addition, the Company is using an Employee Benefit Trust or nominee accounts in which to hold shares to enable the post cessation requirements to be operated.	
Performance Framework	None.	
Outcomes for 2020	Denis Jackson currently holds 43,855 shares through his own account, deferred bonus, SAYE and the SIP.	Trish Houston currently holds 1,564 shares on her own account.
Implementation in 2021	No changes to the policy.	No changes to the policy.

Remuneration principles

In preparation for the review of our Directors' remuneration policy, the Committee reviewed the reward frameworks for the wider workforce, alongside our more specific debates on Executive remuneration. From this, we have drawn a unifying set of remuneration principles that apply equally to Executives, and to employees at all levels of our workforce hierarchy.

REMUNERATION PRINCIPLES	
Alignment	Our remuneration programmes will align with Law Debenture's strategic priorities, long-term success and shareholders' experience.
Competitiveness	Total remuneration will be competitive but not extravagant for the role taking into account sector, complexity of responsibility and geography. When setting senior executive pay, we will consider both external pay relativity and wider workforce remuneration and conditions.
Pay for performance	There should be no reward for failure, but the Executives should be rewarded for the performance of the IPS business, which is central to Law Debenture's business model and unique identity.
Discretion	The Committee has discretion to adjust the formulaic bonus and the LTIP outcomes to reflect underlying Company performance. Any adjustments or discretion applied by the Committee will be fully explained in the following year's Directors' Remuneration Report.

Consideration of shareholder views

The Remuneration Committee is committed to shareholder dialogue and engages with shareholders as appropriate to address any remuneration issues that arise in relation to the Executive Directors. Any feedback provided is taken into account when developing Executive remuneration arrangements, in addition to guidelines of investor bodies and shareholder views. The Committee continues to monitor trends and developments in corporate governance and market practice to ensure the structure of Executive remuneration remains appropriate and commits to undertake a shareholder consultation in advance of any material changes to the Remuneration Policy.

Minor amendments

The Committee may make minor amendments to the policy set out above (for regulatory, exchange control, tax or administrative purposes or to take account of a change in legislation) without obtaining shareholder approval for that amendment.

Annual remuneration report continued

Consideration of employment conditions

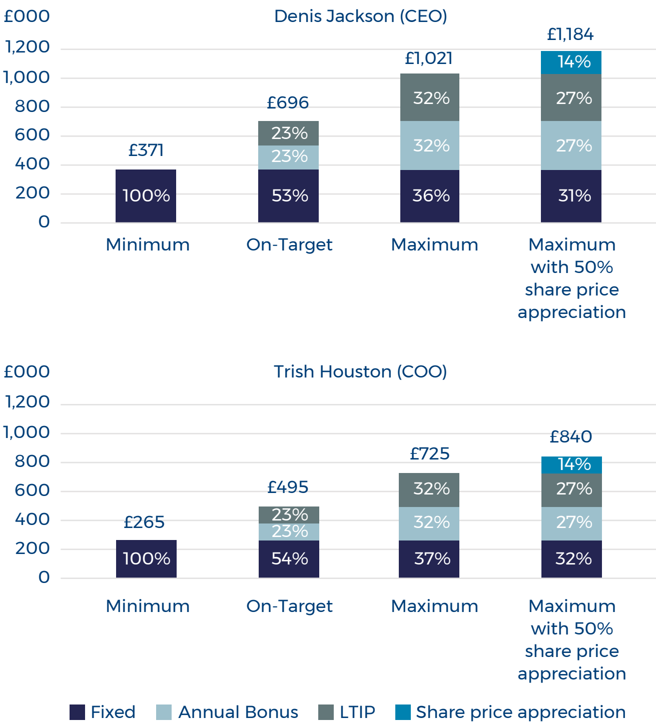
In determining the remuneration arrangements for Executive Directors, the Committee considers pay and conditions of other employees across the IPS business and aims to ensure a consistent approach. To facilitate this, the Committee receives information on wider workforce remuneration, ensuring they have a good understanding of the structure and application of the reward policies throughout the Group. Mark Bridgeman has been appointed as the Non-Executive Director with responsibility for engaging with the workforce. Since making that appointment, various methods of communication (including presentations, email correspondence and availability for meetings) have been utilised to raise employee awareness of the role and engagement with the Board more broadly. The Company has introduced a quarterly survey to assess employee satisfaction.

Differences in remuneration policy for Executive Directors compared with other employees

The Company's approach to annual salary reviews is consistent across the Group, with consideration given to the level of experience, responsibility, individual performance and salary levels in comparable companies. In terms of variable incentives, all employees are eligible to participate in an annual bonus scheme with business area-specific metrics and individual performance taken into account where appropriate. The maximum bonus opportunity of 100% of salary is consistent across all staff.

Senior managers may be eligible to participate in the LTIP with annual awards up to 100% of salary. Performance conditions are consistent for all participants, while award sizes vary by level. Specific cash incentives are also in place to motivate, reward and retain staff below Board level. When determining incentive outcomes, the Remuneration Committee may take account of the Executive Directors' contribution to the investment trust strategy and performance, as well as the performance of the IPS business. For all other employees, performance is primarily based on the IPS business. All UK employees are eligible to participate in the Company's SAYE and SIP schemes on the same terms.

Illustration of total remuneration opportunity



ELEMENT	ASSUMPTIONS
Total fixed pay	**Base salary**: CEO £325,000, COO £230,000.
	Pension: 12% of salary or cash equivalent.
	Benefits: As disclosed in single figure table on page 77.
Annual bonus	Minimum: No payout. On-target: 50% of maximum (50% of salary). Maximum: 100% of maximum (100% of salary).
LTIP	Minimum: No vesting. On-target: 50% of maximum (50% of salary). Maximum: 100% of maximum (100% of salary).
Share price growth	Impact of 50% share price appreciation on maximum remuneration over three years.

Annual remuneration report continued

Performance measures selection for the annual bonus

Performance Measures used under the annual bonus are selected annually to reflect the Group's main short and long-term objectives and reflect both financial and non-financial priorities. For Executive Directors, performance measures in incentives will focus predominantly on the profitability of the IPS business which is central to Law Debenture's business model and unique identity and is the area of the business fully within management's control. The performance targets are set to be stretching but achievable, taking into account a range of internal and external reference points and having regard to the particular strategic priorities and economic environment.

Executive Directors' strategic objectives are linked to the delivery of Law Debenture's strategic priorities. By their nature, some objectives require a more subjective assessment than others and this is done by the Committee following the input from the wider Board and other Board Committees as appropriate.

STRATEGIC OBJECTIVES	Description	Weighting
IPS financial performance	The Remuneration Committee reviews a number of key financial metrics when assessing the Executive Directors' delivery against financial performance targets. The metric used for 2020 was profit before tax. The Executive Directors' awards are based on the performance against agreed thresholds, which can be found in the table below.	50%
Market standing	Engagement with investors, potential investors, market analysts and the media is considered to be beneficial to our shareholders as it raises awareness of the unique investment proposition which is offered by Law Debenture. The Remuneration Committee believe that the efforts made by the Executive Directors to further enhance the reputation of the Group should be rewarded.	20%
Operational resilience, business strategy and leadership	The success of the IPS business is dependent on the effective leadership and implementation of the right strategy to ensure our people can provide excellent service to our clients regardless of the external challenges the business may face. This includes a robust business continuity plan supported by the right technology, a well embeded risk management framework and high calibre people. The Remuneration Committee recognise the importance of this and reflect this in the award made to our Executive Directors.	30%

MEASURE

For 2020 the maximum bonus opportunity for the Executive Directors was 100% of salary. Performance conditions were based 50% on financial metrics and 50% on strategic metrics. Details of the specific measures, weightings, targets and outcome achieved are set out below:

Measure	Weighting	Threshold (0% of max.)	Target (50% of max.)	Maximum (100% of max.)	Actual
IPS financial performance - PBT	50%	3%	4%	8%	6.6%
Market standing	20%	Further details set out below			
Operational resilience, business strategy and leadership	30%	Further details set out below			
Total	100%				

Long Term Incentive Plan

The first award under the new LTIP was granted to the CEO in 2020 at a level of 100% of salary. An award of 100% was also made to Katie Thorpe, CFO, but this lapsed after her resignation from the Company. The award will vest after three years based on IPS EPS performance, and any vested shares (net of tax) will be subject to a further two-year holding period. The performance targets are as follows:

3-year CAGR (p.a.)	% vesting	IPS EPS 3-year CAGR (p.a.)
Below threshold	0%	Less than 4%
Threshold	25%	4%
Stretch	100%	10%

Annual remuneration report continued

For 2021 it is proposed that, both the Executive Directors will be granted LTIPs at the level of 100% of salary, with the same performance conditions. The 2021 LTIP will have the base year performance adjusted to reflect the additional EPS arising from the acquisition of the company secretarial services business.

2020 PERFORMANCE AND PAY OUTCOMES

Financial performance

The IPS business delivered PBT growth of 6.5%.

In light of the economic impact of Covid-19, the Remuneration Committee applied PBT growth targets of 3%-8%, resulting in an award of 39% in relation to financial performance.

Non-financial performance

The Remuneration Committee gave careful consideration to the delivery of non-financial targets during 2020. In challenging conditions, the Executive Directors oversaw:

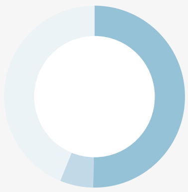
- a successful office move to significantly enhanced premises;
- recruitment of new, high-calibre senior staff and the reshape of the Executive Leadership team;
- acquisition of the company secretarial services business from Eversheds Sutherland (International) LLP;
- the response to the Covid-19 pandemic by ensuring we had a robust business continuity plan in place to allow us to continue to service the needs of our clients;
- effectively moved immediately to home working with the introduction of national ‘lockdown’ in March 2020;
- improved market standing through positive media coverage, meetings with brokers and potential investors; and
- the implementation of a new risk management framework as detailed on pages 39 to 45 of the annual report.

As a result of this, the Executive Directors were awarded 46% in relation to non-financial targets.

Total remuneration 2020

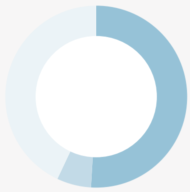
Denis Jackson
Chief Executive Officer

- Salary and benefits 50%
- Retirement benefits 6%
- Annual bonus 44%
- Performance Shares 0%*



Trish Houston
Chief Operating Officer

- Salary and benefits 51%
- Retirement benefits 6%
- Annual bonus 43%
- Performance Shares 0%*



* No Long-Term incentives or scheme interests vested in 2020 for either the CEO or COO.

Share ownership

Shareholding is a key means by which the interests of Executive Directors are aligned with those of shareholders. As at 31 December 2020 neither Director had holdings in Law Debenture which exceeded our shareholding policy requirement of two times salary.

Denis Jackson[1]
Chief Executive Officer

Trish Houston
Chief Operating Officer

Current holdings: 43,855 shares[2]
Two times salary, 94,203 shares
Total share value[3] of £650k

Current holdings: 1,564 shares
Two times salary, 66,667 shares
Total share value[3] of £460k

1 D. Jackson has 117,400 shares vesting in 1-4 years time subject to a service condition but not a performance condition.
2 Includes shares held in the deferred bonus scheme.
3 Calculated based on a close price of 690p as at 31 December 2020.

The value of the shareholdings disclosed have been calculated using the close price at the time of acquisition of the shares. For these purposes, shares held in the deferred bonus scheme, the SIP and SAYE as at 31 December 2020 have been included as there are no performance conditions to be met. The LTIP awards have not been factored in.

Annual remuneration report continued

How do we safeguard against payments for failure?

SAFEGUARDING REQUIREMENTS	
Performance based pay	A significant portion of remuneration varies with performance – where performance targets are not achieved, lower or no payments will be made under the plans.
Discretion	The Committee will operate all incentive plans according to the rules and discretions contained therein to ensure that the implementation of the Remuneration Policy is fair, both to the individual Director and to the shareholders. The discretions cover aspects such as: • selection of participants; • timing of grant and vesting of awards; • size of awards (subject to the Policy limits); • choice of measures, weightings and targets; • determining level of payout or vesting based on an assessment of performance; • settlement of awards in cash or shares; • treatment of awards on termination of employment and change of control; • adjustment of awards in certain circumstances, e.g. changes in capital structure, demerger, special dividend, distribution or any other corporate event which may affect the current or future value of an award; • adjustment of performance conditions in exceptional circumstances provided the new targets are fair and reasonable and neither materially more or less challenging than the original targets; and • application of malus and/or clawback. Any such use of discretion will be fully disclosed in the subsequent annual report and may, as appropriate, be the subject of consultation with the Company's shareholders.
Malus and Clawback	Malus is the adjustment of deferred annual bonus awards or unvested LTIP awards, because of the occurrence of one or more circumstances. The adjustment may result in the value being reduced to nil. Clawback is the recovery of cash payments made under the annual bonus, deferred annual bonus award or vested LTIP awards as a result of the occurrence of one or more circumstances listed. Clawback may apply to all or part of a participant's payment or award and may be effected, among other means, by requiring the transfer of shares, payment of cash or reduction of awards or bonuses. The circumstances in which malus and clawback could apply are as follows: • gross misconduct; • misstatement of the financial results; • error in reporting or calculation; • serious reputational damage; or • corporate failure. Malus applies to deferred annual bonus awards and unvested LTIP awards up to the date of vesting. Clawback applies to cash annual bonus payments and vested LTIP awards for up to two years from payment or vesting. Annual bonus payments and LTIP awards are subject to malus and clawback for up to two years from payment of the bonus or vesting of shares.
Payments for loss of office	There were no payments to former Directors for loss of office.
Payments to past Directors	There were no payments to past directors during the year.

Annual remuneration report continued

Single total figure of remuneration (audited)

	Year ended	Salary £000	Benefits £000	Bonus £000	LTIP £000	Pension £000	Total £000	Total Fixed £000	Total Variable £000
Denis Jackson	2020	325	4	275	–	39	643	368	275
	2019	315	4	287	–	38	644	357	287
Trish Houston[1]	2020	77	–	65	–	9	151	86	65
	2019	N/A	N/A	N/A	–	N/A	N/A	N/A	N/A
Katie Thorpe[2]	2020	180	3	–	–	22	205	205	–
	2019	225	3	205	–	25	458	253	205

1 Trish Houston joined the Board as COO on 2 September 2020..
2 Katie Thorpe resigned from the Board on 11 September 2020 and left the Company in October 2020.

Executive Directors' shareholdings (audited)

The table below shows the interests of the Executive Directors and connected persons in shares (owned outright or vested) as at 31 December 2020. There have been no changes in Directors' interests in the period between 31 December 2020 and 25 February 2021.

		Outstanding scheme interests							
	Shares owned outright	Unvested shares not subject to performance[3]	Unvested options not subject to performance[4]	Unvested options subject to performance[5]	Vested but unexercised share options	Total scheme interests	Shareholding guideline (% of salary)	Current shareholding (% of salary)[6]	Guideline met
Denis Jackson	2,948	35,342	5,565	70,210	–	114,065	200%	18.1%	No
Trish Houston[1]	1,564	–	–	–	–	1,564	200%	4.7%	No
Katie Thorpe[2]	1,767	18,257	2,475	–	–	22,499	N/A	N/A	N/A

1 Trish Houston joined the Board as an Executive Director with effect from 2 September 2020.
2 Katie Thorpe resigned from the Board as an Executive Director with effect from 11 September 2020.
3 Includes deferred bonus awards granted under the Deferred Share Plan.
4 Includes options awarded under Save As You Earn Share Save Plan.
5 Includes options awarded under the LTIP.
6 Based on a share price on 31 December 2020 of 690p. Shares owned outright have been included.

Executive Directors' interests in shares and option plans (audited)

	Scheme	Interests held at 1 January 2020	Granted in the year	Date of grant	Market price at grant	Vested in the year	Lapsed / forfeited in the year	Exercised in the year	Exercise price*	Market price at date of exercise	Interests held at 31 December 2020	Vesting / first exercise date
Denis Jackson	DSP[1]	3,079	196†	02.03.18	572.00p	–	–	–	572.00p	n/a	3,275	01.03.21
	DSP[2]	16,662	1,020†	11.03.19	582.00p	–	–	–	582.00p	n/a	17,682	11.03.22
	DSP[3]	–	17,333†	13.03.20	587.19p	–	–	–	587.19p	n/a	17,333	13.03.23
	LTIP[4]	–	70,210	07.04.20	462.90p	–	–	–	462.90p	n/a	70,210	07.04.23
	SAYE[5]	–	5,565	26.08.20	539.00p	–	–	–	539.00p	n/a	5,565	26.08.25
	Total	19,741	94,324								114,065	

1 Deferred Share Plan 2018 (share grant price is based on market close on the date of the grant).
2 Deferred Share Plan 2019 (share grant price is based on market close on the date of the grant).
3 Deferred Share Plan 2020 (share grant price is based on market close on the date of the grant).
4 Long Term Incentive Plan 2020 (price at grant is calculated based on a 5 day average close price up to and including the day before the date of grant). Details of performance conditions and targets can be found on page 74.
5 Save As You Earn Save Plan 2020 (share grant price is based on market close on the date of the grant).
* Exercise price is based on market price at grant.
† Includes dividend reinvestment.

Trish Houston does not currently hold options or shares in any of the Company's employee share schemes.

Annual remuneration report continued

Percentage change in Director remuneration

The table below shows the percentage change in Director remuneration, comprising salary, taxable benefits and annual bonus, and comparable data for the average of all UK employees within the Company.

	Salary 2020	Taxable benefits 2020	Annual bonus 2020
Denis Jackson (CEO)	3%	3%	-4%
Trish Houston (COO)[1]	N/A	N/A	N/A
Katie Thorpe (CFO)[2]	6%	6%	N/A
Robert Hingley (NED)	3%	0%	0%
Robert Laing (NED)	3%	0%	0%
Mark Bridgeman (NED)	3%	0%	0%
Tim Bond (NED)	3%	0%	0%
Claire Finn (NED)	3%	0%	0%
All other Employees (excluding directors)[3]	3%	3%	11%

1 Trish Houston was appointed to the Board on 2 September 2020
2 Katie Thorpe resigned from the Board on 11 September 2020 and left Law Debenture in October 2020
3 For the purposes of this table, all other employees excluding Directors have been taken to mean employees of LDC Trust Management Limited.

Relative importance of spend on pay

The chart below shows the Company's actual expenditure on shareholder distributions (including dividends and share buybacks) and total employee pay expenditure for the financial years ended 31 December 2018, 31 December 2019 and 31 December 2020.

	2018 £000	2019 £000	2020 £000	% change
Total employee pay expenditure[1]	13,964	14,709	16,156	9.8%
Total distributed to shareholders[2]	22,339	30,778	32,572	5.8%

1 Total remuneration includes bonuses, employers' NI and pension costs and is the figure reported at note 3 of the accounts less remuneration of Non-Executive Directors.
2 Amounts distributed to shareholders are the totals of the final and interim dividends in respect of that year. There were no other distributions.

The dividend payment structure was changed during 2020 to include three interim and one final dividend to be paid to shareholders as explained in the Chairman's statement on pages 4 and 5. The average number of employees has increased from 133 in 2019 to 165 in 2020, which has led to an increase in employee pay expenditure. The increase also includes a discretionary increase in individuals' remuneration. Distribution to shareholders has been subject to an increase for the current year as explained in the Chairman's statement on pages 4 and 5.

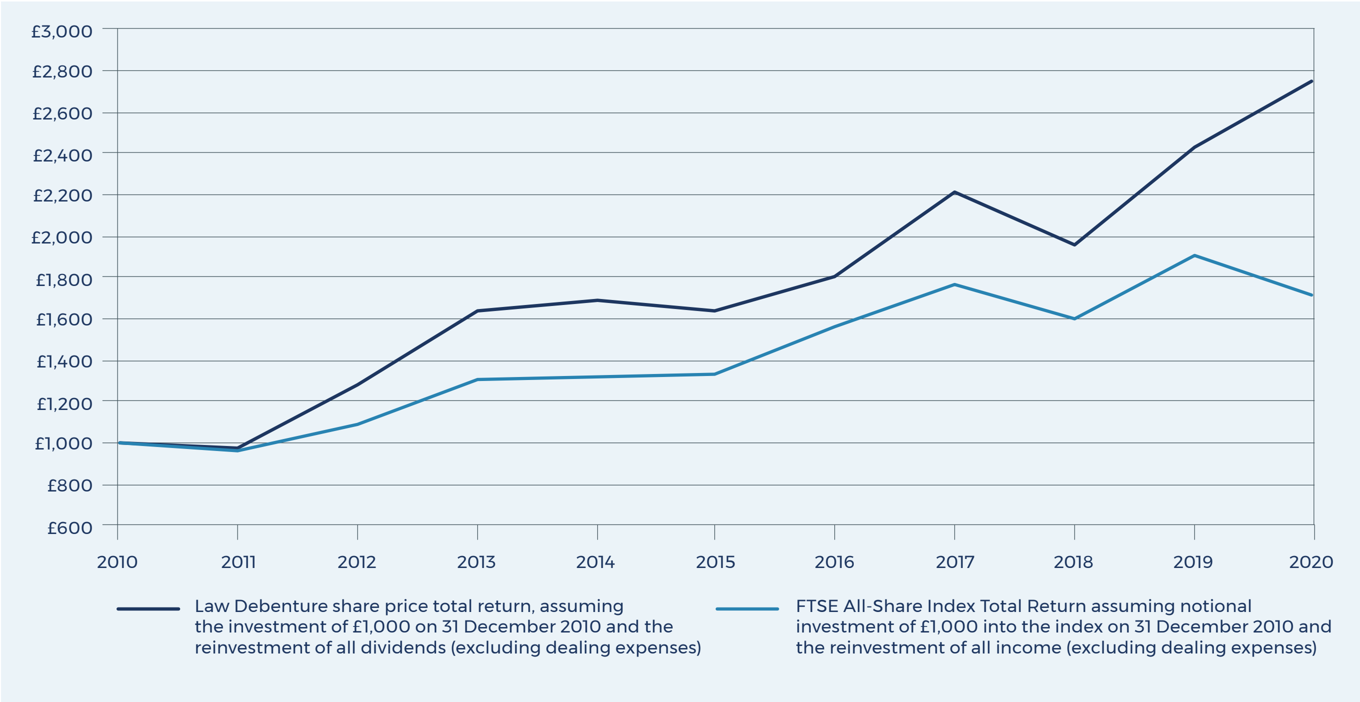
Historical remuneration and TSR chart

<table>
<tr><th></th><th>2011</th><th>2012</th><th>2013</th><th>2014</th><th>2015</th><th>2016</th><th>2017</th><th>2018</th><th>2019</th><th>2020</th></tr>
<tr><td rowspan="2">Incumbent</td><td rowspan="2">C. Banszky</td><td rowspan="2">C. Banszky</td><td rowspan="2">C. Banszky</td><td rowspan="2">C. Banszky</td><td rowspan="2">C. Banszky</td><td>M. Adams[1]</td><td>T. Fullwood[2]</td><td rowspan="2">D. Jackson[3]</td><td rowspan="2">D. Jackson[3]</td><td rowspan="2">D. Jackson[3]</td></tr>
<tr><td>C. Banszky</td><td>M. Adams</td></tr>
<tr><td rowspan="2">CEO single figure of total remuneration (£000)</td><td rowspan="2">602.7</td><td rowspan="2">636.9</td><td rowspan="2">636.9</td><td rowspan="2">690.7</td><td rowspan="2">677.5</td><td>180.5</td><td>142.2</td><td rowspan="2">611.2</td><td rowspan="2">643.4</td><td rowspan="2">643.0</td></tr>
<tr><td>757.8</td><td>344.1</td></tr>
<tr><td rowspan="2">Annual bonus and deferred bonus awarded (against maximum %)</td><td rowspan="2">75.0%</td><td rowspan="2">70.0%</td><td rowspan="2">72.1%</td><td rowspan="2">62.0%</td><td rowspan="2">100.0%</td><td>65.1%</td><td>100.0%</td><td rowspan="2">100.0%</td><td rowspan="2">90.9%</td><td rowspan="2">85.0%</td></tr>
<tr><td>0.0%</td><td>0.0%</td></tr>
</table>

1 C. Banszky stepped down as CEO on 31 August and was succeeded by M. Adams on the same date following his appointment to the Board on 4 August.
2 T. Fullwood was appointed interim Chief Executive Officer from 22 October for a fixed term until retirement at 1 January 2018.
3 D. Jackson was appointed as CEO on 1 January 2018.

Total Shareholder Return (TSR) chart and historical remuneration

The graph below compares the value of £1,000 invested in Law Debenture's shares, including reinvested dividends, with the FTSE All-Share Total Return Index over the last ten years. This index was selected because it is the index adopted as Law Debenture's benchmark.



Notes

1 The graph shows the total shareholder return of a nominal holding of £1,000 of Law Debenture's shares measured against the total shareholder return of a nominal holding of £1,000 invested in the FTSE All-Share Index over a 10 year period.

2 Dividends have been reinvested.

3 FTSE All-Share Index is chosen as the comparator in this table because that is the index against which, historically, the Company has reported the performance of the investment trust portfolio.

External appointments

It is the Board's policy to allow the Executive Directors to take up one non-executive position on the board of another company, subject to the prior approval of the Board. Any fee earned in relation to outside appointments is retained by the Executive Director. During 2020, there were no external appointments held by the Executive Directors.

Recruitment policy

When determining the remuneration arrangements of a new appointment to the Board, the Committee will seek to apply the following principles:

- although we operate in a competitive market for talent, we are mindful to pay no more than is necessary to attract and retain high-quality talent; and
- the Committee will appoint new Executive Directors with a package that is in line with the remuneration policy in place at the time. In particular, the maximum level of variable remuneration will be in line with the limits set out in the policy table on pages 72 and 73.

Service contracts

Executive Directors' service contracts may be terminated by not less than six months' notice given in writing by either party to the contract, with no contractual provisions for compensation payable on early termination of contract. The Directors are subject to annual re-election at the AGM. Executive Directors' service contracts are available for inspection at the Company's registered office, subject to Covid-19 restrictions.

Annual remuneration report continued

Termination Policy

Executive Directors will be entitled to receive salary and benefits during the notice period, which may be paid 'in lieu' of all or part of any period of notice. Payments may be made as either a lump sum or in equal monthly instalments until the end of the notice period at the discretion of the Company and Executive Directors will be expected to mitigate their loss.

The Committee will seek to ensure that there are no unjustified payments for failure. There are no entitlements to payments of any sort in the event that for cause an Executive Director's employment is summarily terminated. In the event that an Executive Director is given notice of termination of employment within twelve months of any change in control of the Company, he/she will be given not less than twelve month's written notice and the same arrangements for receiving salary and benefits during this period will apply as described above.

The Committee may authorise payments for statutory entitlements in the event of termination, reasonable settlement of potential legal claims, and payment of reasonable reimbursement of professional fees in connection with such agreements.

PLAN	GOOD LEAVERS[1]	ALL OTHER LEAVERS	CHANGE OF CONTROL
Annual bonus	• Typically paid at the same time as continuing employees, to the extent that the performance conditions are achieved with pro-rating for the proportion of the financial year served, unless the Committee determines otherwise. • Deferred bonus awards will continue until the normal vesting date or may vest earlier at the discretion of the Committee.	• No bonus payable. • Unvested deferred bonus awards lapse.	• Normally paid immediately on the effective date of change of control, subject to the achievement of the performance conditions and pro-rated for the proportion of the year served to the date of change of control, unless the Committee determines otherwise. • Deferred bonus awards vest immediately in full on the effective date of change of control.
LTIP	• Unvested LTIP awards will typically vest on the normal vesting date, to the extent that the performance conditions are achieved with pro-rating for the proportion of the financial year served, unless the Committee determines otherwise. • Vested awards will remain subject to any holding period.	• Unvested awards lapse. • Vested awards will remain subject to any holding period.	• Unvested LTIP awards will typically vest immediately in full on the effective date of change of control, subject to the achievement of the performance conditions and pro-rated for the proportion of the year served to the date of change of control, unless the Committee determines otherwise. • The holding period applicable to any awards will end at the time of change in control. • Alternatively, awards may be exchanged for new equivalent awards in the acquiring company.

1 The Committee has discretion to determine that an Executive Director is a good leaver. It is the Committee's intention to only use this discretion in circumstances where there is an appropriate business case which will be explained in full to shareholders. A good leaver is typically defined as an employee who ceases to hold employment by reason of: death, injury, ill-health or disability; retirement with the agreement of the Group; redundancy; the participant's employing Company being transferred to an entity which is not a Group member; transfer of undertaking; or any other reason at the Committee's discretion.

Policy for Chairman and Non-Executive Directors

The Non-Executive Directors, including the Chairman, do not have service contracts and are appointed for an indefinite term. Non-Executive Directors will not be entitled to compensation on termination of their directorship, no matter what the reason for termination. The Directors are subject to annual re-election at the AGM. Non-Executive Directors' letters of appointment are available to view at the Company's registered office.

Non-Executive Directors do not receive benefits from the Company and they are not eligible to join the Company's pension scheme or participate in any bonus or share incentive plans. Where specific cash or share arrangements are delivered to the Chairman or Non-Executive Directors, these will not include share options or any other performance related elements. Any reasonable expenses that they incur in the furtherance of their duties are reimbursed by the Company (including any tax liability thereon).

PURPOSE AND LINK TO STRATEGY	OPERATION	FEE LEVELS
To attract and retain Non-Executive Directors of the required calibre by offering market competitive fees.	The Chairman is paid a single annual all-inclusive fee for all Board responsibilities. Non-Executive Directors receive a basic annual Board fee. Additional fees may be payable for additional Board responsibilities such as Chairmanship or Membership of a Committee, or the role of Senior Independent Director. The Chairman's fee is determined by the Committee, and fees to Non-Executive Directors are determined by the Board. Fees are reviewed periodically, considering time commitment, scope and responsibilities, and appropriate market data. Expenses incurred in the performance of non-executive duties for the Company may be reimbursed or paid for directly by the Company, including any tax due thereon.	Fee increases are typically expected to be in line with wider employee rises. In exceptional circumstances (including, but not limited to, material misalignment with the market or a change in the complexity, responsibility or time commitment required to fulfil the role) the Board may make appropriate adjustments to fee levels to ensure they remain market competitive and fair to the Director. The maximum annual aggregate fee for all Non-Executive Directors will be within the limit set out in the Company's Articles of Association.

Non-Executive Directors' shareholdings (audited)

The table below shows the interests of the Non-Executive Directors and connected persons in shares (owned outright or vested) as at 31 December 2020. There have been no changes in Directors' interests in the period between 31 December 2020 and 25 February 2021.

	Shares owned outright
Robert Hingley	4,870
Robert Laing	12,300
Mark Bridgeman[1]	4,513
Tim Bond	–
Claire Finn	–

1 Interests of connected persons in addition to Mark Bridgeman's beneficial holding – 25,620.

Annual remuneration report continued

Single total figure of remuneration for Non-Executive Directors (audited)

The table below sets out the single figure for the total remuneration received by each Non-Executive Director for the year ended 31 December 2020 and the prior period:

		Salary/fees	Total
Non-Executive Directors			
Robert Hingley	2020	£87,550	£87,550
	2019	£85,000	£85,000
Robert Laing	2020	50,985	50,985
	2019	£54,153	£54,153
Mark Bridgeman	2020	56,650	56,650
	2019	£51,940	£51,940
Tim Bond	2020	£45,320	£45,320
	2019	£44,000	£44,000
Claire Finn	2020	£46,237	£46,237
	2019*	£13,750	£13,750

*Claire Finn's remuneration for 2020 includes an extra payment which relates to 2019.

Non-Executive Director fees

For 2021, the fees for the Chairman and Non-Executive Directors have been maintained in line with the wider workforce:

Fee	Fees effective 1 January 2021	Fees effective 1 January 2020	% change
Chairman fee	£87,550	£87,550	0.0
Non-Executive Director base fee	£45,320	£45,320	0.0
Additional fee for Chairman of Audit Committee	£5,665	£5,665	0.0
Additional fee for Chairman of Remuneration Committee	£5,665	£5,665	0.0
Additional fee for oversight of workforce engagement	£5,665	£5,665	0.0

Statement of shareholder voting at the Company's AGM

The table below sets out the results of the most recent shareholder votes on the Policy Report and the Annual Report on Remuneration at the AGM on 7 April 2020.

	Percentage of votes cast		Number of votes cast		
	For	Against	For	Against	Withheld[1]
Policy Report	97.65%	2.35%	30,240,887	728,373	250,424
2019 Annual Report on Remuneration	97.64%	2.36%	30,389,436	733,673	96,865

1 A vote withheld is not a vote in law and is not counted in the calculation of the proportion of votes cast for and against a resolution.

For and on behalf of the Remuneration Committee.

Robert Laing
Chairman of the Remuneration Committee
25 February 2021

Photo credit: Denis Jackson

Independent auditor's report

to the Members of The Law Debenture Corporation P.l.c.

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2020 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the Group financial statements have been properly prepared in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union;
- the Parent Company financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements of The Law Debenture Corporation p.l.c. (the 'Parent Company' or 'Company') and its subsidiaries (the 'Group') for the year ended 31 December 2020 which comprise the group income statement, the group statement of comprehensive income, the group and company statement of financial position, the group and company statement of changes in equity, the group and company statements of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is the law and international accounting standards in conformity with the requirements of the Companies Act 2006 and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's 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. Our audit opinion is consistent with the additional report to the audit committee.

Independence

Following the recommendation of the audit committee, we were appointed at the Annual General Meeting on 7 April 2020 to audit the financial statements in the UK for the ended 31 December 2020. The period of total uninterrupted engagement including retenders and reappointments is 13 years, covering the years ending 31 December 2008 to 31 December 2020. We remain independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services prohibited by that standard were not provided to the Group or the Parent Company.

We have provided services other than audit to the Group as set out below. This includes a description of any relationships between the company, its subsidiaries and Directors and the firm.

- BDO provided the Group with a limited assurance opinion on the CASS report that was issued to the FCA. The work involved as part of the CASS procedures is closely related to the work performed in the audit and the threats to auditor independence are insignificant.
- BDO also provided agreed upon procedures relating to reporting on the Company's statement of capital and reserves. The work involved is closely related to the work performed in the audit and the threats to auditor independence are clearly insignificant. This work is a requirement of the Guaranteed Secured Bond in accordance with Clause 27 of the Trust Deed dated 12 October 1999.

We do not consider there to be any other threats that may be considered to bear on our objectivity and independence. Our overall assessment is that the safeguards described here are appropriate and effective.

Conclusions relating to principal risks, going concern and viability statement

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Group and the Parent Company's ability to continue to adopt the going concern basis of accounting included:

- Obtaining management's assessment of the Going Concern Status & Long Term Viability of the Group
- Reviewing the appropriateness of the forecasted cash flow calculated at group level by performing a sensitivity analysis on the expected receipt of cash from revenue streams and future expenditure and the cash outflow arising from dividend payments to shareholders
- Challenging management's assumptions and judgements made with regards to stress-tested forecast revenue figures,

cash to be received from revenue, the cost of fixed expenditures, the payment of dividends to shareholders on a quarterly basis and cash flows relating to the acquisition of a new company secretarial unit by comparing to the accuracy of past forecasts

- Enquiring with management about the level of insurance coverage across the group
- Calculating financial ratios to ascertain the financial health of the group
- We obtained the debenture and loan agreements to identify the covenants and assessed the likelihood of the covenants being breached based on management forecasts and our sensitivity analysis
- Performing calculations assessing the net asset position of the group to understand the reliance on loans and debentures

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the entity's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the Parent Company's reporting on how it has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Overview

Coverage	100.0% (2019: 100.0%) of the investment portfolio. 93.6% (2019: 95.1%) of the Group Revenue.		
Key audit matters		2020	2019
	Valuation & Ownership of Investments – investment portfolio	✓	✓
	Revenue Recognition – Independent Professional Services	✓	✓
	Revenue Recognition – investment portfolio	✓	✓
Materiality	£7.30m (2019: £8.22m) based on 1% of Group net assets (2019: 1% of Group Total Investments)		

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

All seven significant components (The Law Debenture Corporation p.l.c., The Law Debenture Trust Corporation p.l.c., The Law Debenture Pension Trust Corporation p.l.c., Law Debenture Corporate Service Ltd, L.D.C. Trust Management Ltd, The Law Debenture Intermediary Corporation p.l.c. and Law Debenture Trustees Ltd) are based in the UK and the group audit team have responsibility for the audit of all significant components included in the consolidated financial statements.

Component materiality across the group ranged from £900 to £5.475m. For components where full scope audits were not undertaken, the group audit team undertook audit procedures on material balances with a performance materiality of 75% of materiality in all cases.

Our audit approach was developed by obtaining an understanding of the group's activities and the overall control environment. Based on this understanding we assessed those aspects of the group's transactions and balances which were most likely to give rise to a material misstatement.

Our involvement with component auditors

In respect of non-significant components, we instructed other BDO member firms to carry out desktop reviews and undertake specific audit procedures on balances where we identified a significant risk.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent auditor’s report continued

Key Audit Matter		How the matter was addressed in the audit
Valuation and Ownership of Investments – investment portfolio (notes 1 and 14 to the financial statements)	*The investment portfolio at the year-end comprised of predominantly listed equity investments at fair value through profit or loss.* *We consider the valuation and ownership of investments to be one of the most significant audit areas as investments represent the most significant balance in the financial statements and underpin the principal activity of the entity*	We responded to this matter by testing the valuation and ownership of 100% of the quoted investments. We utilised our BDO DIVA (Dividend-Investment-Valuation Analyser) tool to recalculate the valuation of the listed investments portfolio using the holdings per the third party HSBC report and independent bid prices. We obtained the third party year-end custodian holdings report from HSBC and checked that for all listed investments the number of shares owned agreed to the year-end investments summary provided in the draft financial statements. A sample of additions and disposals have been corroborated to third party confirmations and we have recalculated the realised gains on disposals based on the brought forward book cost. We reviewed the latest available independent assurance report addressing the relevant controls in place at the custodian to assess whether any of the exceptions identified had an impact on our audit approach. For the unrealised gains/losses on investments held at fair value, we tested the valuation of the portfolio at the year-end, together with testing the reconciliation of opening and closing investments. We did this by taking the portfolio holdings at and the opening and closing positions and corroborating the bid prices to independent sources, obtaining comfort over the unrealised movements recognised between these two points. For the unlisted investment (£4.1m at 31 December 2020) we considered whether, in our professional judgement, the valuation methodology was the most appropriate in the circumstances under the IPEV guidelines. As part of our detailed testing for the unlisted investment, we: • re-performed the calculation of the valuation • verified key inputs to the valuation to independent information • challenged significant judgements made such as the NAV per share **Key observations:** **Based on our procedures performed, we did not identify any exceptions with regards to valuation or ownership of investments.**

Independent auditor’s report continued

Key Audit Matter		How the matter was addressed in the audit
Revenue Recognition – Independent Professional Services (notes 1 and 7 to the financial statements	*We consider that the timing of invoicing of fees resulting in amounts being accrued and deferred at the year-end based on management’s estimates as a significant risk and key audit matter.* *Revenue consists of fees receivable from the provision of professional services including, but not limited to, annual trustee services, transaction fees, service of process fees, company secretarial fees, special fees, daily rates, single payments, new fee structure and European Medium Term Note revenue.* *For the annual fees revenue stream we consider that the risk lies with billing and invoicing throughout the year for all clients in this revenue stream.*	In respect of fee income from the provision of professional services, our audit strategy differed per revenue stream. For annuals fees, annual trustee fees, company secretarial fees and daily rates fees we agreed a sample of recorded revenue to a contractual agreement, invoice and receipt of cash. We also obtained a breakdown of accrued and deferred income and selected a sample, which we recalculated, based on the aforementioned supporting documentation to check that the appropriate proportion of income had been recognised in the year. For the testing of the transaction and special fees, we agreed the fee to sales invoice and receipt of cash. For these revenue streams, we tested whether the sampled client was on the annual fees schedule meaning that they had an equal opportunity to be chosen in our samples as part of our annual fee, annual trustee fees and company secretarial fees contract testing. For service of process fees we agreed a sample of recorded revenue to appointment letter, invoice and receipt of cash. Single payments, New Fee Structure and European Medium Term Note revenue generated was tested through a sample of transactions being agreed to client agreements or recent correspondence where a countersigned agreement was not available, sales invoices and bank receipts; in addition to a revenue recalculation being performed. We obtained evidence to confirm that performance obligations have been satisfied across all streams. We reviewed invoices either side of the year-end to verify that the revenue has been accounted for in the correct period. We have also reviewed a sample of credit notes raised post year-end to ascertain whether any related to revenue recorded in the financial year. **Key observations:** **Based on procedures performed, we did not identify any exceptions with regards to the income and revenue recognition policy in relation to the provision of professional services.**
Revenue Recognition – investment portfolio (notes 1 and 7 to the financial statements	*We consider that the existence of dividend income recorded by the investment portfolio is a significant risk and a Key Audit Matter.* *For the investment portfolio the revenue comprises dividends and interest receivable on the portfolio of investments held. Dividend income is one of the key drivers of dividend returns to investors and is often a key factor in demonstrating the performance of the portfolio. Judgement is also required in the allocation of income to revenue or capital.*	For the income recognised in the investment portfolio, we utilised our BDO DIVA (Dividend-Investment-Valuation Analyser) tool to recalculate the dividend income received. We sourced further independent data to corroborate an expectation of income due based on the investments held and dividend announcements made. We performed a dividend yield to test, using a threshold of 5%, to identify whether any capital dividends had incorrectly been recorded as revenue income. **Key observations:** **Based on our procedures performed, we did not identify any exceptions with regards to the income in relation to the provision of the investment portfolio.**

Independent auditor's report continued

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	Group financial statements		Parent Company financial statements	
	2020 £m	2019 £m	2020 £m	2019 £m
Materiality	7.30	8.22	5.48	7.81
Basis for determining materiality	1% Group Net Assets	1% Group Total Investments	75% Group Materiality	95% Group Materiality
Rationale for the benchmark applied	Group Net Assets to account for the debt held by the group.	Total Investments threshold to effectively test the value of investments and the range of reasonable alternative valuations.	This to ensure the audit team identify errors in the parent entity that may present an aggregate risk of material misstatement to the group financial statements.	This to ensure the audit team identify errors in the parent entity that may present an aggregate risk of material misstatement to the group financial statements.
Performance materiality	5.48	6.17	4.11	5.86
Basis for determining performance materiality	75% based on the expected total value of known and likely misstatements.	75% based on the expected total value of known and likely misstatements.	75% based on the expected total value of known and likely misstatements.	75% based on the expected total value of known and likely misstatements.

Change to Group Materiality Approach

The benchmark for group materiality was changed this year to account for the debt within the group. This is appropriate as the Law Debenture group is a mixture of a large Independent Professional Services ("IPS") business and an investment portfolio. The use of the investment value alone is not appropriate given the IPS business.

Specific materiality

We also determined that for items impacting the revenue return, a misstatement of less than materiality for the financial statements as a whole could influence the economic decisions of users. A specific materiality level was therefore set at £1.290m (2019: £1.884m), based on 5% of group income before tax (2019: 5% of group income before tax). We further applied a performance materiality level of 75% of specific materiality to ensure that the risk of errors exceeding specific materiality was appropriately mitigated.

Component materiality

Full scope audits of the seven significant components were performed at a materiality level calculated based on a level appropriate to the relative scale of the business concerned. Five of the significant components had a materiality calculated based on 7.0% of their adjusted profit before tax with L.D.C. Trust Management Ltd based on 1% of expenditure and the parent company capped at 75% of Group materiality. We used adjusted profit before tax to exclude the impact of group intercompany recharges.

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £65,000. (2019: £164,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. 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 course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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 in this regard.

Corporate governance statement

The Listing Rules require us to review the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the parent company's compliance with the provisions of the UK Corporate Governance Statement specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit.

Going concern and longer-term viability	• The Directors' statement with regard to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 55; and • The Directors' explanation as to its assessment of the entity's prospects, the period this assessment covers and why this period is appropriate set out on page 53.
Other Code provisions	• Directors' statement on fair, balanced and understandable reporting set out on page 58; • Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 46; • The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 64; and • The section describing the work of the audit committee set out on pages 63 and 64.

Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic report and Directors' report	In our opinion, based on the work undertaken in the course of the audit: • the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and • the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements. In the light of the knowledge and understanding of the Group and Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.
Directors' remuneration	In our opinion, the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.
Matters on which we are required to report by exception	We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion: • adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or • the Parent Company financial statements and the part of the Directors' remuneration report to be audited are not in agreement with the accounting records and returns; or • certain disclosures of Directors' remuneration specified by law are not made; or • we have not received all the information and explanations we require for our audit.

Independent auditor's report continued

Responsibilities of Directors

As explained more fully in the Directors' responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's 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 auditor's 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.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

We gained an understanding of the legal and regulatory framework applicable to the group and the two industries in which the group operates, and considered the risk of acts by the company which were contrary to applicable laws and regulations, including fraud. These included but were not limited to compliance with Companies Act 2006, the FCA listing and DTR rules, the principles of the UK Corporate Governance Code, industry practice represented by the AIC SORP and international accounting standards. We also considered the company's qualification as an Investment Trust under UK tax legislation.

We considered compliance with this framework through discussions with the Audit Committee and performed audit procedures on these areas as considered necessary. Our procedures involved enquiries with Management, review of the reporting to the directors with respect to compliance with laws and regulation, review of board meeting minutes and review of legal correspondence.

We focused on laws and regulations that could give rise to a material misstatement in the company financial statements. Our tests included, but were not limited to:

- agreement of the financial statement disclosures to underlying supporting documentation;
- enquiries of management;
- Testing of journal postings made during the year to identify potential management override of controls
- review of minutes of board meetings throughout the period; and
- Obtaining an understanding of the control environment in monitoring compliance with laws and regulations

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Parent Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Parent Company's members 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Vanessa-Jayne Bradley (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London
United Kingdom
25 February 2021

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Group income statement

as at 31 December 2020

	Notes	2020 Revenue £000	2020 Capital £000	2020 Total* £000	2019 Revenue £000	2019 Capital £000	2019 Total* £000
UK dividends		14,794	–	14,794	23,458	–	23,458
UK special dividends		458	–	458	2,364	–	2,364
Overseas dividends		2,685	–	2,685	3,294	–	3,294
Overseas special dividends		–	–	–	85	–	85
		17,937	–	17,937	29,201	–	29,201
Interest income	6	89	–	89	706	–	706
Independent professional services fees		38,898	–	38,898	36,815	–	36,815
Other income		219	–	219	20	–	20
Total income		57,143	–	57,143	66,742	–	66,742
Net (loss)/gain on investments held at fair value through profit or loss	2	–	(16,354)	(16,354)	–	100,023	100,023
Total income and capital gains/(losses)		57,143	(16,354)	40,789	66,742	100,023	166,765
Cost of sales		(4,405)	–	(4,405)	(5,026)	–	(5,026)
Administrative expenses	3	(24,879)	(2,216)	(27,095)	(22,835)	(2,379)	(25,214)
Provision for onerous contracts	4	118	–	118	113	–	113
Operating profit/(loss)		27,977	(18,570)	9,407	38,994	97,644	136,638
Finance costs							
Interest payable	6	(1,320)	(3,958)	(5,278)	(1,319)	(3,958)	(5,277)
Profit/(loss) before taxation	7	26,657	(22,528)	4,129	37,675	93,686	131,361
Taxation	8	(1,178)	–	(1,178)	(1,420)	–	(1,420)
Profit/(loss) for the year	7	25,479	(22,528)	2,951	36,255	93,686	129,941
Return per ordinary share (pence)	7	21.56	(19.06)	2.50	30.68	79.27	109.95
Diluted return per ordinary share (pence)	7	21.56	(19.06)	2.50	30.67	79.27	109.94

Statement of comprehensive income

as at 31 December 2020

GROUP	2020 Revenue £000	2020 Capital £000	2020 Total £000	2019 Revenue £000	2019 Capital £000	2019 Total £000
Profit for the year	25,479	(22,528)	2,951	36,255	93,686	129,941
Items that will or may be reclassified to profit or loss:						
Foreign exchange on translation of foreign operations	–	105	105	–	(214)	(214)
Items that will not be reclassified to profit or loss:						
Pension actuarial losses	(6,500)	–	(6,500)	(800)	–	(800)
Taxation on pension	1,235	–	1,235	152	–	152
Other comprehensive loss for the year	(5,265)	105	(5,160)	(648)	(214)	(862)
Total comprehensive (loss)/income for the year	20,214	(22,423)	(2,209)	35,607	93,472	129,079

Statement of financial position

as at 31 December 2020

Assets	Notes	GROUP 2020 £000	GROUP 2019 £000	COMPANY 2020 £000	COMPANY 2019 £000
Non-current assets					
Goodwill	11	1,914	1,930	–	–
Property, plant and equipment	12	1,088	64	–	–
Right-of-use asset	23	5,413	1,057	–	–
Other intangible assets	13	619	104	16	16
Investments held at fair value through profit or loss	14	812,297	822,316	812,083	822,102
Investments in subsidiary undertakings	14	–	–	61,283	61,283
Retirement benefit asset	24	–	2,700	–	–
Deferred tax asset	8	771	–	–	–
Total non-current assets		822,102	828,171	873,382	883,401
Current assets					
Trade and other receivables	15	16,129	7,213	4,084	542
Other accrued income and prepaid expenses		6,529	6,438	1,990	2,155
Cash and cash equivalents	16	41,762	71,236	32,098	46,128
Total current assets		64,420	84,887	38,172	48,825
Total assets		886,522	913,058	911,554	932,226
Current liabilities					
Amounts owed to subsidiary undertakings		–	–	61,698	53,990
Trade and other payables	17	27,405	13,010	13,075	1,420
Lease liability	23	–	730	–	–
Corporation tax payable	8	238	710	–	20
Deferred tax liability	8	–	83	–	–
Other taxation including social security		860	540	793	534
Deferred income		4,367	5,625	16	16
Total current liabilities		32,870	20,698	75,582	55,980
Non-current liabilities and deferred income					
Long-term borrowings	21	114,201	114,157	74,569	74,551
Deferred income		4,011	2,463	125	135
Lease liability	23	5,606	350	–	–
Retirement benefit liability		2,840	–	–	–
Provision for onerous contracts	4	–	118	–	–
Total non-current liabilities		126,658	117,088	74,694	74,686
Total net assets		726,994	775,272	761,278	801,560
Equity					
Called up share capital	18	5,923	5,921	5,923	5,921
Share premium		9,277	9,147	9,277	9,147
Own shares	18	(1,461)	(1,332)	–	–
Capital redemption		8	8	8	8
Translation reserve		2,002	1,897	–	–
Capital reserves	19	674,591	697,119	733,189	755,717
Retained earnings		36,654	62,512	12,881	30,767
Total equity		726,994	775,272	761,278	801,560
Total equity pence per share		615.19	655.76		

As permitted by Section 408 of the Companies Act 2006, the Company has not presented its own income statement, however its gain for the year was £5,658,000 (2019: gain £122,817,000). Approved and authorised for issue by the Board on 25 February 2021 and signed on its behalf by:

R. Hingley, Chairman | D. Jackson, Chief Executive Officer
Registered number 30397.

Statement of changes in equity

as at 31 December 2020

GROUP	Called up share capital £000	Share premium £000	Own shares £000	Capital redemption £000	Translation reserve £000	Capital reserves £000	Retained earnings £000	Total £000
Balance at 1 January 2020	5,921	9,147	(1,332)	8	1,897	697,119	62,512	775,272
Net gain for the period	–	–	–	–	–	(22,528)	25,479	2,951
Foreign exchange	–	–	–	–	105	–	–	105
Actuarial gain on pension scheme (net of tax)	–	–	–	–	–	–	(5,265)	(5,265)
Total comprehensive loss for the period	–	–	–	–	105	(22,528)	20,214	(2,209)
Issue of shares	2	130	–	–	–	–	–	132
Movement in own shares	–	–	(129)	–	–	–	–	(129)
Dividend relating to 2019	–	–	–	–	–	–	(22,976)	(22,976)
Dividend relating to 2020	–	–	–	–	–	–	(23,096)	(23,096)
Statute barred dividends	–	–	–	–	–	–	–	–
Total equity at 31 December 2020	5,923	9,277	(1,461)	8	2,002	674,591	36,654	726,994

GROUP	Called up share capital £000	Share premium £000	Own shares £000	Capital redemption £000	Translation reserve £000	Capital reserves £000	Retained earnings £000	Total £000
Balance at 1 January 2019	5,919	8,904	(966)	8	2,111	603,433	49,955	669,364
Net gain for the period	–	–	–	–	–	93,686	36,255	129,941
Foreign exchange	–	–	–	–	(214)	–	–	(214)
Actuarial gain on pension scheme (net of tax)	–	–	–	–	–	–	(648)	(648)
Total comprehensive income for the period	–	–	–	–	(214)	93,686	35,607	129,079
Issue of shares	2	243	–	–	–	–	–	245
Movement in own shares	–	–	(366)	–	–	–	–	(366)
Dividend relating to 2018	–	–	–	–	–	–	(15,272)	(15,272)
Dividend relating to 2019	–	–	–	–	–	–	(7,813)	(7,813)
Statute barred dividends	–	–	–	–	–	–	35	35
Total equity at 31 December 2019	5,921	9,147	(1,332)	8	1,897	697,119	62,512	775,272

Capital reserves comprises realised and unrealised gains on investments held at fair value through profit or loss (see note 19).

Statement of changes in equity continued

as at 31 December 2020

COMPANY	Share capital £000	Share premium £000	Own shares £000	Capital redemption £000	Translation reserve £000	Capital reserves £000	Retained earnings £000	Total £000
Balance at 1 January 2020	5,921	9,147	–	8	–	755,717	30,767	801,560
Total comprehensive gain for the period	–	–	–	–	–	(22,528)	28,186	5,658
Issue of shares	2	130	–	–	–	–	–	132
Dividend relating to 2019	–	–	–	–	–	–	(22,976)	(22,976)
Dividend relating to 2020	–	–	–	–	–	–	(23,096)	(23,096)
Statute barred dividends	–	–	–	–	–	–	–	–
Total equity at 31 December 2020	5,923	9,277	–	8	–	733,189	12,881	761,278

COMPANY	Share capital £000	Share premium £000	Own shares £000	Capital redemption £000	Translation reserve £000	Capital reserves £000	Retained earnings £000	Total £000
Balance at 1 January 2019	5,919	8,904	–	8	–	662,031	24,686	701,548
Total comprehensive gain for the period	–	–	–	–	–	93,686	29,131	122,817
Issue of shares	2	243	–	–	–	–	–	245
Dividend relating to 2018	–	–	–	–	–	–	(15,272)	(15,272)
Dividend relating to 2019	–	–	–	–	–	–	(7,813)	(7,813)
Statute barred dividends	–	–	–	–	–	–	35	35
Total equity at 31 December 2019	5,921	9,147	–	8	–	755,717	30,767	801,560

Capital reserves comprises realised and unrealised gains on investments held at fair value through profit or loss (see note 19).

Statements of cash flows

for the year ended 31 December 2020

	GROUP 2020 £000	GROUP 2019 £000	COMPANY 2020 £000	COMPANY 2019 £000
Operating activities				
Operating profit before interest payable and taxation	9,406	136,638	10,843	128,207
Losses/(gains) on investments	18,570	(97,644)	18,570	(97,644)
Non-cash dividends	—	—	(10,000)	—
Foreign exchange losses/(gains)	19	20	—	—
Depreciation of property, plant and equipment	37	55	—	—
Depreciation of right-of-use assets	1,179	1,101	—	—
Interest on lease liability	49	99	—	—
Amortisation of intangible assets	59	104	—	—
Loss on sale of fixed assets	(15)	—	—	—
Decrease/(increase) in receivables	(9,007)	(958)	(3,377)	(626)
(Decrease)/increase in payables	14,926	1,298	11,922	60
Transfer from capital reserves	(1,341)	(1,680)	(1,341)	(1,680)
Normal pension contributions in excess of cost	(960)	(1,000)	—	—
Cash generated from operating activities	32,922	38,033	26,617	28,317
Taxation	(1,103)	(663)	—	—
Operating cash flow	31,819	37,370	26,617	28,317
Investing activities				
Acquisition of property, plant and equipment	(1,079)	(21)	—	—
Expenditure on intangible assets	(574)	(23)	—	(16)
Purchase of investments	(173,831)	(163,106)	(173,831)	(163,106)
Sale of investments	166,908	102,888	166,908	102,888
Acquisition of subsidiary undertakings	—	—	—	(50)
Cash flow from investing activities	(8,576)	(60,262)	(6,923)	(60,284)
Financing activities				
Intercompany funding	—	—	17,708	6,150
Interest paid	(5,278)	(5,277)	(5,206)	(5,390)
Dividends paid	(46,071)	(23,050)	(46,071)	(23,050)
Payment of lease liability	(1,163)	(1,177)	—	—
Proceeds of increase in share capital	132	245	132	245
Purchase of own shares	(129)	(366)	—	—
Net cash flow from financing activities	(52,509)	(29,625)	(33,437)	(22,045)
Net (decrease)/increase in cash and cash equivalents	(29,266)	(52,517)	(13,743)	(54,012)
Cash and cash equivalents at beginning of period	71,236	124,148	46,128	100,321
Foreign exchange (losses)/gains on cash and cash equivalents	(208)	(395)	(287)	(181)
Cash and cash equivalents at end of period	41,762	71,236	32,098	46,128

Notes to the accounts

for the year end 31 December 2020

1. Summary of significant accounting policies

General information

The Law Debenture Corporation p.l.c. is a public company incorporated in the United Kingdom. The address of the registered office is given on page 130. The Group's operations and its principal activities are as an investment trust and the provider of independent professional services.

Basis of preparation

The financial statements of The Law Debenture Corporation p.l.c. and the Group have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

Where presentational guidance set out in the Statement of Recommended Practice Financial Statements of Investment Trust Companies and Venture Capital Trusts issued November 2014 and updated in October 2019 (SORP) is consistent with the requirements of IFRS, the Directors have sought to prepare the financial statements on a basis compliant with the recommendations of the SORP.

The Directors have considered the guidance of the UK Financial Reporting Council and events relating to the spread of Covid-19 and have treated this as an in year event with due consideration given in preparing these financial statements.

Going concern

The financial statements have been prepared on a going concern basis and under the historical cost basis of accounting, modified to include the revaluation of investment at fair value.

The assets of the Company consist of securities that are readily realisable and, accordingly, the Directors believe that the Company has adequate resources to continue in operational existence for at least 12 months from the date of approval of the financial statements.

The Directors have also considered the impact of Covid-19, including cash flow forecasting, balances sheet review at entity level, a review of covenant compliance including the headroom above the covenants and an assessment of the liquidity of the portfolio. A detailed overview of these considerations can be found in the section on our response to Covid-19, page 61. They have concluded that the Group is able to meet its financial obligations, including the repayment of the debenture interest, as they fall due for a period of at least 12 months from the date of approval of the financial statements. Having assessed these factors and the principal risks, the Directors are not aware of any material uncertainties that cast significant doubt on the Group's ability to continue as a going concern.

The Directors have also considered the wider operational consequences and ramifications of the Covid-19 pandemic. As explained in the Chief Executive Officer's report our business infrastructure has proved resilient in protecting the safety of our employees and maintaining our high levels of client service as the vast majority of Group staff work from home. We continue to review our approach in line with latest developments and government guidance.

Critical accounting estimates and judgements

The preparation of the financial statements requires the exercise of judgement both in application of accounting policies which are set out below and in the selection of assumptions used in the calculation of estimates. These estimates and judgements are reviewed on an ongoing basis and are continually evaluated based on historical experience and other factors. However, actual results may differ from these estimates. The most significantly affected component of the financial statements and associated critical judgements is as follows:

Defined benefit scheme

The calculation of the defined benefit scheme assets and obligations is sensitive to the assumptions used. The assumptions used are given in note 24 to the financial statements.

The sensitivity to changes in assumptions and conditions which are significant to the calculation of the asset have been considered and the following is an illustration of the potential impact.

	Increase/(decrease) in defined benefit obligations	
	at 31 December 2020 £ million	at 31 December 2019 £ million
Discount rate +0.1%	(1.2)	(1.1)
Inflation assumptions +0.1%	1.0	0.9
Life expectancy at 65 +1 year	2.9	2.0
RPI/CPI gap 0.1% increase in wedge between RPI and CPI at all durations (2019: 1.0% instead of 0.8%)	(0.3)	(0.6)

1. Summary of significant accounting policies continued

Basis of consolidation

The consolidated financial statements incorporate the financial statements of The Law Debenture Corporation p.l.c. and entities controlled by the Company (its subsidiaries) made up to the end of the financial period. The Company controls an investment if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

The assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess consideration over the fair values of the identifiable net assets acquired is recognised as goodwill.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. The financial statements of subsidiaries are adjusted, where necessary, to ensure the accounting policies used are consistent with those adopted by the Group.

Presentation of income statement and statement of comprehensive income

In order to better reflect the activities of an investment trust company and in accordance with the SORP, supplementary information which analyses the income statement and statement of comprehensive income between items of a revenue and capital nature has been presented. Additionally, the net revenue is the measure the Directors believe appropriate in assessing the Group's compliance with certain requirements set out in Sections 1158-1159 of the Corporation Tax Act 2010.

The allocation of investment trust finance costs and investment management fees between the revenue and the capital columns in the income statement reflects the expected split of future returns between income and capital. The proportional split is:

- Revenue 25% (2019: 25%)
- Capital 75% (2019: 75%)

Segment reporting

Operating segments are components of an entity about which separate financial information is available that is evaluated regularly by the Directors in deciding how to allocate resources and in assessing performance. The Group comprises two operating segments; the investment portfolio and independent professional services business. This is consistent with internal reporting.

Foreign currencies

Transactions recorded in foreign currencies are translated into sterling at the exchange rate ruling on the date of the transaction.

Assets and liabilities denominated in foreign currencies at the reporting date are translated into sterling at the exchange rate ruling at that date. Gains and losses on translation are included in profit or loss for the period, however exchange gains or losses on investments held at fair value through profit or loss are included as part of their fair value gain or loss.

The assets and liabilities of overseas subsidiaries are translated at exchange rates prevailing on the reporting date. Income and expenses of overseas subsidiaries are translated at the average exchange rates for the period. Exchange differences arising from the translation of net investment in foreign subsidiaries are recognised in the statement of comprehensive income and transferred to the Group's translation reserve.

Property, plant and equipment and right-of-use assets

All property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the item. Depreciation is calculated using the straight-line method to allocate the cost over the assets' estimated useful lives.

Right-of-use assets are measured at cost less accumulated depreciation. The carrying amount is adjusted for any re-measurement of the lease liability.

Leasehold improvements	over the remaining lease period
Office furniture and equipment	3-10 years
Right-of-use asset	over the remaining lease period

1. Summary of significant accounting policies continued

Intangible assets

Computer software

Computer software is capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of between three and five years.

IT project costs

IT project costs have been capitalised that relate to the development of new internal software scheduled to be launched in 2021. It will be depreciated on the commencement of its use, over the useful economic life of three years.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill which is recognised as an asset is reviewed for impairment at least annually. Any impairment would be recognised in profit or loss and is not subsequently reversed.

Impairment of assets

An impairment loss is recognised for the amount by which an asset's carrying amount exceeds its recoverable amount. Assets are reviewed on a regular basis and tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Financial instruments

Investments

Listed and unlisted investments, which comprise the investment trust portfolio, have been designated as investments held at fair value through profit or loss. Purchases and sales of listed and unlisted investments are recognised on the date on which the Group commits to purchase or sell the investment. Investments are initially recognised at fair value and transaction costs are expensed as incurred. Gains and losses arising from listed and unlisted investments, as assets at fair value through profit or loss, are included in the income statement in the period in which they arise. The Group has not taken the option to irrevocably designate any equity securities as fair value through other comprehensive income. Transaction costs are expensed immediately.

The fair value of listed investments is based on quoted market prices at the reporting date. The quoted market price used is the bid price. The fair value of unlisted investments is determined by the Directors with reference to the International Private Equity and Venture Capital Valuation (IPEV) guidelines (December 2018).

Gains and losses on investments and direct transaction costs are analysed within the income statement as capital. All other costs of the investment trust are treated as revenue items.

Trade receivables

Trade receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts and expected credit losses.

Trade payables

Trade payables are not interest bearing and are stated at their nominal value.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held with banks and other short-term highly liquid investments with original maturities of three months or less, subject to insignificant changes in fair value.

Borrowings

Borrowings are recognised initially at fair value, which is generally the proceeds net of transaction costs incurred. The difference between the proceeds net of transaction costs and the redemption value is recognised in the income statement over the term of the borrowings using the effective interest rate method, so as to generate a constant rate of return on the amount outstanding.

Share capital

Ordinary shares are classified as equity. The ordinary shares of the Company which have been purchased by the Employee Share Ownership Trust (ESOT) to provide share based payments to employees are valued at cost and deducted from equity.

1. Summary of significant accounting policies continued

Financial instruments continued

Taxation

Current tax is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense which are either never taxable or deductible or are taxable or deductible in other periods. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the year end date.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements.

Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each year end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to recover the asset.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is expected to be settled or the asset is expected to be realised based on tax rates that have been enacted or substantively enacted at the year end date.

Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to do so and presented as a net number on the face of the balance sheet.

Investment in subsidiaries

Investments in subsidiaries are carried at cost.

Revenue recognition

Dividend income

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Stock lending

Stock lending revenue is accounted for on an accruals basis and shown in the revenue return based on amounts to which the Company is entitled. The fees relating to the third party arranging the transaction are accounted for in Cost of Sales.

Interest income

Interest income is accrued on a time basis using the effective interest rate applicable.

IPS income

The Group has disaggregated the IPS revenue into various categories below which depict the nature, amount, timing, and uncertainty of revenue and cash flows.

During the course of the year there has been no changes to the Group's application of IFRS 15. We continue to recognise revenue in line with the discharge of our performance obligations and we apply this consistently across the Group.

Corporate Services

Corporate Services provide governance services and includes Corporate Services, Service of Process and Safecall. In Service of Process, the performance obligation is fulfilled at the point in time we are appointed as process agent for the client, who is the contract counter party. In Corporate Services and Safecall the performance obligation is the provision of contracted services.

The transaction price can include any combination of one-off acceptance fees, regular annual payments, and special fees for extra work. Transactions are billed as a single payment at point of engagement or as on-going annual fees. Revenue is recognised over the period of time it is taken to fulfil the contracted performance obligation.

For annual contracts such as the provision of company secretarial work, or a whistleblowing hotline, the substance of these performance obligations is to "stand ready" to serve the customer and is satisfied over time with revenue recognised straight-line over the time lapsed. If the contract is an acceptance fee, the revenue is recognised in-month as that is the obligation and performance is at that point in time. If the contract is for training, revenue is recognised in the month the training took place as the obligation is fulfilled at that training event.

1. Summary of significant accounting policies continued

Revenue recognition continued

Corporate Trust

Contract terms are dealt with either in trust deeds or appointment letters. Revenue is recognised over the period of service where amounts which are not recognised in the financial period are deferred. The majority of Group deferred revenue relates to Corporate Trust business. Amounts are mostly billed and paid on an annual or quarterly basis. The Corporate Trust business is not adversely affected by economic stress factors because in a downturn clients seek to restructure their debt arrangements.

The transaction price can include any combination of one-off acceptance fees, regular annual payments, and special fees for extra work, and are recognised over the annual term or when the performance obligation is met.

The performance obligations are services provided in the creation of the trust or the structure and the obligations set out in the trust deed or service agreement over the period for which the trust or structure will be in place.

Pensions

Pension trusts provide professional trustee and governance services to clients, typically on a fixed annual fee basis or a time cost basis.

The transaction price may be determined either by time billed or as an annual fixed fee.

The performance obligation is provision of the time of the Pensions professionals and the transfer of the services is at that point of time.

Revenue is recognised in the accounting period in which the time has been recorded with amounts mostly billed and paid on a quarterly basis. This means that revenue accrued at year end is invoiced in January the following year.

The cashflow associated with Pensions are largely unimpacted by economic factors because if a client becomes distressed they still deliver on their pensions governance requirements. There has been very limited history of bad debt write-off in the Pensions business.

Employee benefits

Pension costs

The Group operates a defined benefit pension plan, which was closed to future accrual on 31 December 2016. The cost of providing benefits under the plan is determined using the projected unit credit method, with independent actuarial calculations being carried out at each year end date. Actuarial gains and losses are recognised in full in the period in which they occur through other comprehensive income.

The asset recognised in the statement of financial position in respect of the defined benefit plan is the present value of the defined benefit obligation at the year end date less the fair value of the plan assets.

In addition the Group operates defined contribution plans, where the cost recognised is the contributions paid in respect of the year.

Profit share schemes

The Group recognises provisions in respect of its profit share schemes when contractually obliged or when there is a past practice that has created a constructive obligation.

Share based plans

The Group issues equity-settled share-based payments to certain employees. whereby the shares are deferred for a three-year period. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effects of non-market-based vesting conditions.

The Group also awards share options to executives. In 2020 the Group introduced a long-term performance incentive plan (LTIP) to executives in addition to annual bonus following the completion of a required service period and is dependent on the achievement of corporate performance and individual targets. Options are normally exercisable between 3 to 5 years from the date of grant for nil consideration. Full details of this plan can be found in the Directors' remuneration report.

1. Summary of significant accounting policies continued

Reserves

A description of each of the reserves follows:

Share premium
This reserve represents the difference between the issue price of shares and the nominal value of shares at the date of issue, net of related issue costs.

Capital redemption
This reserve was created on the cancellation and repayment of the Company's share capital.

Own shares
This represents the cost of shares purchased by the ESOT.

Capital reserves
The following are dealt with through this reserve:

- gains and losses on realisation of investments; and
- changes in fair value investments which are readily convertible to cash.

Retained earnings
Net revenue profits and losses of the Company and its subsidiaries and the fair value costs of share based payments which are revenue in nature are dealt with in this reserve.

Translation reserve
This reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries and in prior years gains or losses on hedging instruments relating to the effective portion of the hedge related to the net investment in foreign subsidiaries.

Leases

Operating leases under right-of-use model
From 1 January 2019 IFRS 16 replaced IAS 17; and the right-of-use model replaces the risks and rewards of ownership model. Under this standard leases previously classified as operating leases are recognised on the balance sheet, and the impact to the income statement is a change to both the expense character (rent expenses replaced with depreciation and interest expense) and recognition pattern (acceleration of lease expense relative to the recognition pattern for operating leases today).

Further detail on leases is provided in note 23 of the accounts.

Dividend distribution

Dividends are recognised when they become legally payable. In the case of interim dividends to equity shareholders, this is when paid. In the case of final dividends, this is when approved by the shareholders.

2. Net capital gain/(loss) on investments

	2020 £000	2019 £000
Realised gains based on historical cost	62,233	39,043
Amounts recognised as unrealised in previous years	(51,586)	(22,242)
Realised gains based on carrying value at previous year end date	10,647	16,801
Unrealised (loss)/gain on investments	(27,001)	83,365
	(16,354)	100,166
Transfers to revenue	—	(143)
	(16,354)	100,023

3. Administrative expenses

	2020 £000	2019 £000
Administrative expenses include:		
Salaries and Directors' fees	13,762	12,731
Social security costs	1,622	1,457
Other pension costs	1,093	878
	16,477	15,066
Investment management fee*	447	512
Depreciation – property, plant and equipment	37	55
Depreciation – right-of-use asset	1,179	1,101
Amortisation – intangible assets	59	104
Interest on lease liability	49	99
Foreign exchange	(35)	54
Auditors' remuneration	289	265
Other property costs	511	542
IT infrastructure	791	463
Business development	83	129
Professional fees	950	676
Other expenses	4,042	3,769
Administrative expenses	24,879	22,835

* 25% of the management fee is charged to revenue, and 75% to capital reserves, to better reflect the expected split of future returns between income and capital. Further details are given in note 1 on page 98.

During the year, the Group employed an average of 152 staff (2019: 133). All staff are engaged in the provision of independent professional services. The Company has no employees.
Details of the terms of the investment management agreement are provided on page 34 of the strategic report.

Administrative expenses charged to capital are transaction costs and foreign exchange differences on the purchase of investments held at fair value through profit or loss.

A more detailed analysis of the auditors' remuneration on a worldwide basis is provided below:

	2020 £000	2019 £000
Audit services		
– fees payable to the Company's auditors for the audit of its financial statements*	275	251
– audit related regulatory	14	14
	289	265

* Including the Company £48,000 (2019: £45,500).

A description of the work of the Audit and Risk Committee is set out in the Audit and Risk Committee report on pages 63 to 65 and includes an explanation of how auditor objectivity and independence is safeguarded when non-audit services are provided by the auditors.

4. Provision for onerous contracts

GROUP	2020 £000	2019 £000
At 1 January	118	236
(Release) made in the year	(118)	(113)
Foreign exchange	–	(5)
At 31 December	–	118

In December 2016 the Group completed the disposal of substantially all of its US corporate trust business for a consideration of $1. The disposal was the completion of the first part of a strategy to exit the US corporate trust business, so as to release $50m of capital required by the business. At the time of disposal the contracts remaining were assessed and deemed to generate insufficient income to cover the costs of running and financing the remainder of the business up to the eventual date of its closure. A provision for onerous costs of £3,106,000 representing the expected net future costs up to the date of disposal or completion of the remaining contracts was included in the year ended 31 December 2016. The business was closed during 2020 and the remaining provision of £118,000 was released (2019: release of £113,000). No provision was required at 31 December 2020.

5. Remuneration of Directors (key management personnel)

The remuneration of the Directors, who are the key management personnel of the Group, comprises the following:

	2020 £	2019 £
Short-term benefits including fees in respect of Directors	1,285,600	1,351,170
Deferred share bonus scheme	–	–
	1,285,600	1,351,170

Details for each individual Director are shown in the remuneration report on pages 77 and 82.

6. Interest

	2020 £000	2019 £000
Interest Income		
Interest on pension scheme (net)	–	100
Interest on bank deposits	1	1
Returns on money market funds	88	605
	89	706
Interest Payable		
Interest on long-term debt – revenue	1,320	1,319
Interest on long-term debt – capital	3,958	3,958
	5,278	5,277
Interest (net)	(5,189)	(4,571)

7. Segment analysis

	Investment portfolio		Independent professional services		Group charges		Total	
	31 December 2020 £000	31 December 2019 £000	31 December 2020 £000	31 December 2019 £000	31 December 2020 £000	31 December 2019 £000	31 December 2020 £000	31 December 2019 £000
Revenue								
Segment income	17,937	29,201	38,898	36,815	—	—	56,835	66,016
Other income	213	17	6	3	—	—	219	20
Cost of sales	—	—	(4,405)	(5,026)	—	—	(4,405)	(5,026)
Administration costs	(2,570)	(2,186)	(22,301)	(20,536)	(8)	(113)	(24,879)	(22,835)
Release of onerous contracts	—	—	—	—	118	113	118	113
	15,580	27,032	12,198	11,256	110	—	27,888	38,288
Interest payable (net) (note 6)	(1,260)	(822)	29	209	—	—	(1,231)	(613)
Return, including profit on ordinary activities before taxation	14,320	26,210	12,227	11,465	110	—	26,657	37,675
Taxation	—	—	(1,178)	(1,370)	—	(50)	(1,178)	(1,420)
Return, including profit attributable to shareholders	14,320	26,210	11,049	10,095	110	(50)	25,479	36,255
Revenue return per ordinary share (pence)	12.12	22.18	9.35	8.54	0.09	(0.04)	21.56	30.68
Assets	850,255	870,944	36,246	42,021	21	50	886,522	913,015
Liabilities	(146,992)	(126,399)	(12,536)	(11,226)	—	(118)	(159,528)	(137,743)
Total net assets	703,263	744,545	23,710	30,795	21	(68)	726,994	775,272

For the purposes of reporting segmental performance, the table above presents a split of the revenue column between the investment portfolio, the IPS business and Group charges. Group dividends are paid from the investment portfolio segment of revenue reserves.

Geographic location of revenue: 90% of revenue is based in the UK. Geographic location is based on the jurisdiction in which the contracting legal entity is based.

Major customers: Due to the diverse nature of the IPS revenue streams, there is no single customer or concentration of customers that represents more than 2% of gross revenue streams.

Capital element: The capital element of the income statement is wholly gains and losses relating to investments held at fair value through profit and loss (2020 loss of £16,354,000; 2019 gain of £100,023,000), administrative expenses (2020: £2,216,000; 2019: £2,379,000) and interest payable (2020: £3,958,000; 2019: £3,958,000) which corresponds to amounts classified as capital in nature in accordance with the SORP are shown in the capital column of the income statement on page 92.

Details regarding the segments are included on page 1 – Group summary and in note 1 – Segment reporting on page 98.

The total of the capital element and the table above is loss of £8,208,000 (2019: gain of £119,896,000).

7. Segment analysis continued

	Investment portfolio		Independent professional services		Total	
	31 December 2020 £000	31 December 2019 £000	31 December 2020 £000	31 December 2019 £000	31 December 2020 £000	31 December 2019 £000
Other information						
Capital expenditure	–	–	1,652	44	1,652	44
Depreciation/amortisation	–	–	96	159	96	159
Depreciation – right-of-use asset	–	–	1,179	1,101	1,179	1,101

Group charges before taxation during the year comprised the following:

	2020 £000	2019 £000
Closure of the US trust business:		
Release for onerous contracts (see note 4)	118	113
	118	113

8. Taxation

	2020 £000	2019 £000
Taxation based on revenue for the year comprises:		
UK Corporation tax at 19.0% (2019: 19.0%)	404	855
Foreign tax charge	338	327
Total current tax charge	742	1,182
Deferred tax charge	436	238
Charge for the year	1,178	1,420

Taxation

The charge for the year can be reconciled to the profit per the income statement as follows:

	2020 £000	2019 £000
Profits before taxation	4,129	131,361
Tax on ordinary activities at standard rate 19.0% (2019: 19.0%)	785	24,885
Effects of:		
Permanent tax adjustments	(79)	25
Higher rates of tax on foreign income	128	150
Non-taxable capital (gains)	6,405	(18,959)
Tax credit on dividend income	(5,926)	(4,848)
Limit on Group relief for UK interest expense	133	217
Prior year under/(over) provision in respect of current tax	(56)	–
Deferred tax on movement in provision for onerous contracts	(212)	(50)
Total	1,178	1,420

The Group expects that a substantial portion of its future income will continue to be in the form of dividend receipts and capital gains and losses, which constitute non-assessable income. On this basis, the Group tax charge is expected to remain significantly different to the standard UK rate of 19.0%.

8. Taxation continued

Deferred Tax

The following are the major deferred tax liabilities and assets recognised by the Group and movements thereon during the current and prior reporting period.

GROUP **Deferred tax assets/(liabilities)**	Accelerated tax depreciation £000	Retirement benefit obligations £000	Total £000
At 31 December 2018	486	(475)	11
(Charge) to income	(48)	(190)	(238)
Credit to other comprehensive income	—	152	152
Foreign exchange	(8)	—	(8)
At 31 December 2019	430	(513)	(83)
(Charge) to income	(246)	(190)	(436)
Credit to other comprehensive income	—	1,235	1,235
Other	55	—	55
At 31 December 2020	239	532	771

In accordance with the applicable accounting policy, deferred tax is calculated at the tax rates that are expected to apply to the reversal. Foreign taxes reflect the current rate, whilst UK taxes are at the enacted rate of 19.0%. A deferred tax asset has not been recognised in respect of foreign losses of £1,281,501 (2019: £1,245,981) as their usability cannot be predicted with reasonable certainty.

9. Dividends on ordinary shares

	2020 £000	2019 £000
Dividends on ordinary shares comprise the following:		
2020 Interims† 19.50p (2019: 6.60p)	23,096	7,813
2019 Final 12.90p (2018: 12.90p)	22,976	15,272
Statute barred dividends*	—	(35)
Total for year	46,072	23,050

† 2020 interim dividends were paid in July 2020, October 2020 and January 2021.
* Relates to dividends unclaimed over 12 years old.

Proposed final dividend for the year ended 31 December 2020

The proposed final dividend is subject to approval by shareholders at the annual general meeting and has not been included as a liability in these financial statements.

Set out below is the total dividend payable in respect of the financial year, which is the basis on which the requirements of Sections 1158-1159 of the Corporation Tax Act 2010 are considered.

	2020 £000	2019 £000
2020 Interims† 19.50p (2019: 6.60p)	23,096	7,813
2020 Final 8.0p (2019: 19.40p)	9,476	22,975
	32,572	30,788

† 2020 interim dividends were paid in July 2020, October 2020 and January 2021.

On this basis, The Law Debenture Corporation p.l.c. satisfies the requirements of Sections 1158-1159 of the Corporation Tax Act 2010, as an approved investment trust company.

10. Net asset value/return per share

NAV per share is calculated based on 118,173,664 (2019: 118,224,400) shares, being the total number of shares in issue of 118,454,562 (2019: 118,429,010), less 267,752 (2019: 204,610) shares, acquired by the ESOT in the open market. The net asset value of £787,219,000 (2019: £830,139,000) comprises the NAV per the balance sheet of £726,994,000 (2019: £775,272,000) plus the fair value adjustment to for the IPS business of £112,407,000, (2019: £91,860,000) less the fair value adjustment for the debt of £52,204,000, (2019: £36,993,000).

Revenue return per share is based on profits attributable of £25,479,000 (2019: £36,255,000).

Capital loss per share is based on capital losses for the year of £22,528,000 (2019: gains £93,686,000).

Total return per share is based on gain for the year of £2,951,000 (2019: gain £129,941,000).

The calculations of returns per share are based on 118,171,875 (2019: 118,181,082) shares, being the weighted average number of shares in issue during the year after adjusting for shares owned by the ESOT. In 2020, total revenue and capital diluted returns per share were calculated using 118,192,860 shares (2019: 118,190,993 shares), being the diluted weighted average number of shares in issue assuming exercise of options at less than fair value. There were no (2019: 47,380) antidilutive shares.

11. Goodwill

GROUP	2020 £000	2019 £000
Cost		
At 1 January	2,359	2,397
Foreign exchange	(30)	(38)
At 31 December	2,329	2,359
Provision for impairment		
At 1 January	428	445
Foreign exchange	(13)	(16)
At 31 December	415	429
Net book value at 31 December	1,914	1,930

The goodwill is identifiable with separate operating companies (Safecall Limited: £1,419,000; and Delaware Corporate Services Inc.: £495,000). At 31 December 2020 the goodwill in relation to the operating companies was reviewed. The review assessed whether the carrying value of goodwill was supported by the net present value of future cash flows based on management forecasts for 2021.

The review for Safecall was assessed using annual growth for five years of 5% with no terminal growth, which is based on current expectations and a discount rate of 9% (2019: 9%). Sensitivity analysis was also completed using annual growth of 2% and a discount rate of 10% and on neither basis was the goodwill considered to be impaired.

The review of Delaware Corporate Services Inc. was assessed using annual growth for five years of 5% with no terminal growth, which is based on current expectations and a discount rate of 9% (2019: 9%). Sensitivity analysis was also completed using annual growth of 2% and a discount rate of 10% and on neither basis was the goodwill considered to be impaired.

12. Property, plant and equipment

GROUP	Office improvements £000	Furniture and equipment £000	Total £000	Office improvements £000	Furniture and equipment £000	Total £000
			2020			2019
Cost						
At 1 January	913	1,835	2,748	899	1,836	2,735
Additions at cost	–	1,079	1,079	17	4	21
Disposals at cost	(796)	(1,576)	(2,372)	–	–	–
Foreign exchange	(3)	(4)	(7)	(3)	(5)	(8)
At 31 December	114	1,334	1,448	913	1,835	2,748
Accumulated depreciation						
At 1 January	900	1,784	2,684	888	1,747	2,635
Charge	17	20	37	15	40	55
Disposals at cost	(813)	(1,544)	(2,357)	–	–	–
Foreign exchange	(2)	(2)	(4)	(3)	(3)	(6)
At 31 December	102	258	360	900	1,784	2,684
NET BOOK VALUE						
Net book value at 31 December	12	1,076	1,088	13	51	64

The Company holds no property, plant and equipment.

13. Other intangible assets

GROUP	Computer Software £000	IT project Costs £000	Intangible Total £000	Computer Software £000	IT project Costs £000	Intangible Total £000
			2020			2019
Cost						
At 1 January	1,814	–	1,814	1,792	–	1,792
Additions at cost	6	567	573	23	–	23
Disposals at cost	(660)	–	(660)	–	–	–
Foreign exchange	–	–	–	(1)	–	(1)
At 31 December	1,160	567	1,727	1,814	–	1,814
Accumulated depreciation						
At 1 January	1,710	–	1,710	1,606	–	1,606
Charge	59	–	59	104	–	104
Disposals at cost	(661)	–	(661)	–	–	–
Foreign exchange	–	–	–	–	–	–
At 31 December	1,108	–	1,108	1,710	–	1,710
NET BOOK VALUE						
Net book value at 31 December	52	567	619	104	–	104

14. Investments

Investments held at fair value through profit or loss

GROUP	2020 Listed £000	2020 Unlisted £000	2020 Total £000	2019 Listed £000	2019 Unlisted £000	2019 Total £000
Opening cost at 1 January	629,845	3,547	633,392	531,245	3,547	534,792
Gains at 1 January	188,402	522	188,924	127,264	537	127,801
Opening fair value at 1 January	818,247	4,069	822,316	658,509	4,084	662,593
Purchases at cost	173,831	–	173,831	163,106	–	163,106
Cost of acquisition	(588)	–	(588)	(661)	–	(661)
Sales – proceeds	(166,908)	–	(166,908)	(102,888)	–	(102,888)
– realised gains on sales	62,233	–	62,233	39,043	–	39,043
Gains/(losses) in the income statement	(78,809)	222	(78,587)	61,138	(15)	61,123
Closing fair value at 31 December	808,006	4,291	812,297	818,247	4,069	822,316
Closing cost at 31 December	698,413	3,547	701,960	629,845	3,547	633,392
Gains	109,593	744	110,337	188,402	522	188,924
Closing fair value at 31 December	808,006	4,291	812,297	818,247	4,069	822,316

Fair value through profit or loss

COMPANY	2020 Listed £000	2020 Unlisted £000	2020 Total £000	2019 Listed £000	2019 Unlisted £000	2019 Total £000
Opening cost at 1 January	634,943	3,333	638,276	536,343	3,333	539,676
Gains at 1 January	183,304	522	183,826	122,166	537	122,703
Opening fair value at 1 January	818,247	3,855	822,102	658,509	3,870	662,379
Purchases at cost	173,831	–	173,831	163,106	–	163,106
Cost of acquisition	(588)	–	(588)	(661)	–	(661)
Sales – proceeds	(166,908)	–	(166,908)	(102,888)	–	(102,888)
– realised gains on sales	62,233	–	62,233	39,043	–	39,043
Gains/(losses) in the income statement	(78,809)	222	(78,587)	61,138	(15)	61,123
Closing fair value at 31 December	808,006	4,077	812,083	818,247	3,855	822,102
Closing cost at 31 December	703,511	3,333	706,844	634,943	3,333	638,276
Gains	104,495	744	105,239	183,304	522	183,826
Closing fair value at 31 December	808,006	4,077	812,083	818,247	3,855	822,102

Listed investments are all traded on active markets and as defined by IFRS 13 are Level 1 financial instruments. As such they are valued at unadjusted quoted bid prices. Unlisted investments are Level 3 financial instruments. They are valued by the Directors using unobservable inputs including the underlying net assets of the investments. There were no transfers in or out of Level 3 during the year.

Investments in subsidiary undertakings – Company

	2020 £000	2019 £000
Cost		
At 1 January	61,283	61,233
Additions in year	–	50
At 31 December	61,283	61,283

14. Investments continued

Investments in subsidiaries are measured at cost less impairment. The financial statements consolidate the results and financial position of the Group, including all subsidiary undertakings, which are listed in this note under section "subsidiaries and related undertakings".

The cost of subsidiary undertakings includes capital contributions and as a consequence is not comparable to the fair value of the IPS business.

Fair valuation of the IPS

The fair value of the IPS business relates to all of the wholly owned subsidiaries of the Company, with the exception of Law Debenture Finance p.l.c. The Directors have chosen to provide a fair valuation of the IPS business, which is not included within the financial statements, to assist the users of the annual report. The fair valuation is used in preparing performance data for the Group. The fair value is determined using unobservable inputs (including the Group's own data), which represent Level 3 inputs. The Directors' estimate of fair value uses the guidelines and methodologies on valuation published by the International Private Equity and Venture Capital Association.

The fair valuation of IPS is based upon the historic earnings before interest, taxation, depreciation and amortisation (EBITDA), an appropriate multiple and the surplus net assets of the business at their underlying fair value. The multiple applied in valuing IPS is from comparable companies sourced from market data, with appropriate adjustments to reflect the difference between the comparable companies and IPS in respect of growth, margin, size and liquidity.

Fair valuation of IPS	2020 £000	2019 £000
EBITDA at a multiple of 9.4 (2019: 9.2)	125,349	105,938
Surplus net assets	10,605	16,367
	135,954	122,305

An increase or decrease of 1 in the multiple would give rise to a £13.3m change in the fair valuation of the IPS. The adjustment to NAV to reflect the IPS fair value is an increase of 95.12p per share (2019: 77.70p).

Subsidiaries and related undertakings

The following is a list of all of the subsidiaries within the Law Debenture Group. Each of them is 100% owned within the Group and has been consolidated in the Group accounts. Subsidiaries held directly by the Company are in bold. Unless indicated, all subsidiaries are incorporated and have their registered office in the United Kingdom at 8th Floor, 100 Bishopsgate, London EC2N 4AG. The addresses of overseas registered companies appear at page 131. All shares issued by Group subsidiaries are ordinary shares. The Company and the Group do not have any significant holdings in any qualifying undertakings other than the subsidiary undertakings listed below.

L.D. Pension Plan Trustee Limited

L.D.C. Trust Management Limited

Law Debenture Investment Management Limited

Law Debenture (Independent Professional Services) Limited

Beagle Nominees Limited

The Law Debenture Trust Corporation p.l.c.

The Law Debenture Pension Trust Corporation p.l.c.

Pegasus Pensions plc

Law Debenture Corporate Services Limited

Law Debenture Trustees Limited

The Law Debenture Intermediary Corporation p.l.c.

Law Debenture Overseas No. 1 Limited

Law Debenture Finance p.l.c.

Law Debenture Securitisation Services Limited

LDPTC Nominees Limited

Law Debenture Governance Services Limited

Safecall Limited

Safecall Training Limited

The Whistleblowing Company Limited

The Sole Trustee plc

The Law Debenture Corporation (Deutschland) Limited

L.D.C. Latvia Limited

Law Debenture Trustee for Charities

Law Debenture (No. 1 Scheme) Trust Corporation

Law Debenture (No. 2 Scheme) Trust Corporation

Law Debenture (No. 3 Scheme) Pension Trust Corporation

The Law Debenture (No. 5) Trust Corporation

The Law Debenture (1996) Pension Trust Corporation

The Law Debenture (Airborne) Pension Trust Corporation

The Law Debenture (BAA) Pension Trust Corporation

The Law Debenture (BIS Management) Pension Trust Corporation

The Law Debenture (BIS Retirement) Pension Trust Corporation

14. Investments continued

The Law Debenture (Freemans) Trust Corporation
The Law Debenture (GS) Pension Trust Corporation
The Law Debenture (Intel Old Plan) Pension Trust Corporation
The Law Debenture (SAPP) Pension Trust Corporation
The Law Debenture (JLPF) Pension Trust Corporation
The Law Debenture (JLPP) Pension Trust Corporation
The Law Debenture (JGRP) Pension Trust Corporation
The Law Debenture (JGSPS) Pension Trust Corporation
The Law Debenture (JIC) Pension Trust Corporation
The Law Debenture (KBPP) Pension Trust Corporation
The Law Debenture (KGPP) Pension Trust Corporation
The Law Debenture (LBS) Pension Trust Corporation
The Law Debenture (Swiss Re GB) Trust Corporation
Law Debenture (Ocean) Trust Corporation
Law Debenture (Odyssey) Trust Corporation
The Law Debenture (SRL) Pension Trust Corporation
The Law Debenture (Stena Line EPS) Pension Trust Corporation
The Law Debenture (Tootal) Trust Corporation
Law Debenture (GWR) Pension Trust Corporation
The Law Debenture (JGDBS) Pension Trust Corporation
ICI Pensions Trustee Limited
Morgan Crucible Pension Trustees Limited
AstraZeneca Pensions Trustee Limited
Law Debenture MC Senior Pension Trust Corporation
ICI Specialty Chemicals Pensions Trustee Limited
RTL Shareholder SVC Limited
Billiton SVC Limited
DLC SVC Limited
LDC (NCS) Limited
Terrier Services Limited
L.D.C. Securitisation Director No. 1 Limited
L.D.C. Securitisation Director No. 2 Limited
L.D.C. Securitisation Director No. 3 Limited
L.D.C. Securitisation Director No. 4 Limited
L.D.C. Corporate Director No. 1 Limited
L.D.C. Corporate Director No. 2 Limited
L.D.C. Corporate Director No. 3 Limited
L.D.C. Corporate Director No. 4 Limited
L.D.C. Corporate Director No. 5 Limited
CD Corporate Director No. 1 Limited
CD Corporate Director No. 2 Limited
LDC Nominee Director No. 1 Limited
LDC Nominee Director No. 2 Limited
LDC Nominee Secretary Limited

LDC DR Trustee Limited
LDC DR Nominees Limited
L.D.C. (SPV No.1) Limited
LD (Holdco) Limited
LD (Bidco) Limited
The Law Debenture Corporation (HK) Limited
(incorporated/registered office in Hong Kong)
Law Debenture Trust (Asia) Limited
(incorporated/registered office in Hong Kong)
Law Debenture China Limited
(incorporated/registered office in Hong Kong)
Law Debenture Services (HK) Limited
(incorporated/registered office in Hong Kong)
The Law Debenture Trust Corporation (Channel Islands) Limited
(incorporated/registered office in Jersey)
The Law Debenture Trust Corporation (Cayman) Limited
(incorporated/registered office in the Cayman Islands)
Law Debenture Corporate Services Inc.
(incorporated/registered office in the USA)
Law Debenture Holdings Inc.
(incorporated/registered office in the USA)
Delaware Corporate Services Inc.
(incorporated/registered office in the USA)
Law Debenture (Ireland) Limited
(incorporated/registered office in the Republic of Ireland)
Law Debenture Ireland (Trustees) Limited
(incorporated/registered office in the Republic of Ireland)
Law Debenture Holdings (Ireland) Limited
(incorporated/registered office in the Republic of Ireland)
LDI (OCS) Limited
(incorporated/registered office in the Republic of Ireland)
Registered Shareholder Services No.1 Limited
(incorporated/registered office in the Republic of Ireland)
Registered Shareholder Services No.2 Limited
(incorporated/registered office in the Republic of Ireland)
Registered Shareholder Services No.3 Limited
(incorporated/registered office in the Republic of Ireland)
BHP SVC PTY Limited
(incorporated/registered office in Australia)

14. Investments continued

Unlisted investments

The Group holds an immaterial amount (approximately 0.5% of the portfolio) in unlisted investments.

Investment trust

The majority of the investment portfolio is invested in listed investments. A small minority of investments are unlisted comprising a small fund investment and a number of other immaterial unquoted investments.

Quarterly valuations for the small fund investment are received. The Investment Valuation Committee updates the valuation of this immaterial investment on a six monthly basis. The minutes of the meeting are shared with the auditors on a bi-annual basis.

Other unquoted investment holdings are reviewed on a bi-annual basis to market value and agreed by the Committee members at the same Investment Valuation Committee meeting.

Independent professional services

As part of the services offered by the Independent Professional Services business, the Group acts as the registered holder of an immaterial amount of unlisted shares in structured finance companies which are held on trust for discretionary charitable purposes. The Group has no beneficial interest in those shares or the results of the companies whose shares are held.

The holdings are reviewed on a bi-annual basis at the Investment Valuation Committee meeting but are not revalued as there is no market rate and the Group has no beneficial or economic interest in those shares.

15. Trade and other receivables

The carrying value represents trade and other receivables which are not impaired. The Directors consider that the carrying value approximates to the fair value.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables. To measure expected credit losses trade receivables are grouped based on similar risk characteristics and ageing.

The expected loss rates are based on the Group's historical credit losses experienced over the two year period prior to the period end. The historical loss rates are then adjusted for current and forward-looking information on macroeconomic factors affecting the Group's customers.

Contract assets and contract liabilities are included within "other accrued income and prepaid expenses" and "deferred income" respectively on the face of the statement of financial position. They arise from the Group's IPS business which enters into contracts that can take more than one year to complete.

	Contract assets 2020 £000	Contract assets 2019 £000	Contract liabilities 2020 £000	Contract liabilities 2019 £000
Brought forward	3,454	2,664	9,480	9,653
Amounts included in contract liabilities that were recognised as revenue during the period	—	—	(6,746)	(6,417)
Settlement of contract assets brought forward	(3,454)	(2,664)	—	—
Invoices issued in advance of performance and not recognised as revenue during the period	—	—	6,674	6,244
Amounts included in contract assets that were recognised as revenue during the period	3,902	3,454	—	—
At 31 December	3,902	3,454	9,408	9,480

16. Cash and cash equivalents

These comprise cash held at bank by the Group, short-term bank deposits with an original maturity of three months or less and money market funds with immediate access. The carrying value of these assets approximates to their fair value.

17. Trade and other payables

Trade and other payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 30 days.

The Directors consider that the carrying value of trade and other payables approximates to their fair value, due to their age.

18. Called up share capital

Allotted, issued and fully paid share capital - Group and Company	2020 £000	2019 £000
Value		
As at 1 January	5,921	5,919
Issued in year	2	2
As at 31 December	5,923	5,921

Shares	Number	Number
As at 1 January	118,429,010	118,381,667
Issued in year	25,552	47,343
As at 31 December	118,454,562	118,429,010

During the year to 31 December 2020, 25,552 shares (2019: 47,343 shares) were allotted under the SAYE scheme for a total consideration of £131,163 (2019: £244,937) which includes a premium of £129,885 (2019: £242,570).

During the year, 56,759 options were granted under the Company's SAYE scheme. At 31 December 2020, options under the SAYE scheme exercisable from 2020 to 2026 at prices ranging from 495.75p to 606.00p per share were outstanding in respect of 160,485 ordinary shares (2019: 135,578 ordinary shares). During 2020, 6,300 options lapsed or were cancelled (2019: 25,061) and 25,552 (2019: 47,343) were exercised.

Further details of options outstanding are given in the Directors' report on page 41.

Own shares held - Group	2020 £000	2019 £000
Value		
Own shares held - cost	1,461	1,332

The own shares held represent the cost of 267,752 (2019: 204,610) ordinary shares of 5p each in the Company, acquired by the ESOT in the open market. The shares have been acquired to meet the requirements of the Deferred Share Plan. The voting rights relating to the shares have been waived while the relevant shares remain in trust, in accordance with the Plan rules. The market value of the shares at 31 December 2020 was £1,847,489 (2019: £1,329,965).

19. Capital reserves

GROUP	2020 Unrealised appreciation £000	2020 Realised reserves £000	2020 Total £000	2019 Unrealised appreciation £000	2019 Realised reserves £000	2019 Total £000
At 1 January	181,411	515,708	697,119	121,273	482,160	603,433
Transfer on disposal of investments	(51,586)	51,586	—	(22,242)	22,242	—
Net gains on investments	(27,001)	10,647	(16,354)	83,365	16,801	100,166
Cost of acquisition	(588)	—	(588)	(661)	—	(661)
Foreign exchange	(287)	—	(287)	(181)	—	(181)
Transfers to revenue	—	(5,299)	(5,299)	(143)	(5,495)	(5,638)
At 31 December	101,949	572,642	674,591	181,411	515,708	697,119

COMPANY	2020 Unrealised appreciation £000	2020 Realised reserves £000	2020 Total £000	2019 Unrealised appreciation £000	2019 Realised reserves £000	2019 Total £000
At 1 January	174,692	581,025	755,717	114,554	547,477	662,031
Transfer on disposal of investments	(51,586)	51,586	—	(22,242)	22,242	—
Net gains on investments	(27,001)	10,647	(16,354)	83,365	16,801	100,166
Cost of acquisition	(588)	—	(588)	(661)	—	(661)
Foreign exchange	(287)	—	(287)	(181)	—	(181)
Transfers to revenue	—	(5,299)	(5,299)	(142)	(5,495)	(5,637)
At 31 December	95,230	637,959	733,189	174,693	581,025	755,718

20. Financial instruments

The Group's investment objective is to achieve long-term capital growth through investing in a diverse portfolio of investments. In pursuit of this objective, the Group has the power to deploy the following financial instruments:

- Quoted equities, unlisted equities and fixed interest securities
- Cash and short-term investments and deposits
- Debentures, term loans and bank overdrafts to allow the Group to raise finance
- Derivative transactions to manage any of the risks arising from the use of the above instruments
- Derivative transactions to hedge the net investment in overseas subsidiaries

It remains the Group's policy that no trading in derivatives is undertaken. Information in respect of the investment portfolio is included on pages 18 to 31.

Capital management

The Company is not allowed to retain more than 15% of its income from shares and securities each year and has a policy to increase dividends. However revenue profits are calculated after all expenses. Distributions will not be made if they inhibit the investment strategy. This policy on dividends is expected to continue going forwards. The investment strategy of the Company is disclosed on page 32 and includes a ceiling on effective gearing of 50%, with a typical range of 10% net cash to 20% gearing. At 31 December 2020 gearing was 9% (2019: 5% restated). Gearing is calculated in line with net gearing guidelines from the AIC.

Capital is represented by the Group's net assets.

20. Financial instruments continued

The Group and Company held the following categories of financial assets and liabilities at 31 December 2020:

GROUP	2020 £000	2019 £000
Assets		
Financial assets held at fair value through profit or loss:		
Equity investments	812,297	822,316
Financial assets held at amortised cost		
Trade and other receivables	16,129	7,213
Cash and cash equivalents	41,762	71,236
	57,891	78,449
Total financial assets	870,188	900,765
Liabilities		
Financial liabilities measured at amortised cost		
Trade and other payables	27,405	13,010
Long-term borrowings	114,201	114,157
Lease liability	5,606	1,080
Total financial liabilities	147,212	128,247

COMPANY	2020 £000	2019 £000
Assets		
Financial assets held at fair value through profit or loss:		
Equity investments	812,083	822,102
Financial assets held at amortised cost		
Trade and other receivables	4,084	542
Cash and cash equivalents	32,098	46,128
	36,182	46,670
Total financial assets	848,265	868,772
Liabilities		
Financial liabilities measured at amortised cost		
Amounts owed to subsidiary undertakings	61,698	53,990
Trade and other payables	13,075	1,420
Long-term borrowings	74,569	74,551
Total financial liabilities	149,342	129,961

20. Financial instruments continued

The principal risks facing the Group in respect of its financial instruments remain unchanged from 2019 and are:

Market risk

Price risk, arising from uncertainty in the future value of financial instruments. The Board maintains strategy guidelines whereby risk is spread over a range of investments, the number of holdings normally being between 70 and 150. In addition, the stock selections and transactions are actively monitored throughout the year by the investment manager, who reports to the Board on a regular basis to review past performance and develop future strategy. The investment portfolio is exposed to market price fluctuation: if the valuation at 31 December 2020 fell or rose by 10%, the impact on the Group's total profit or loss for the year would have been £81.2m (2019: £82.2m). Corresponding 10% changes in the valuation of the investment portfolio on the Company's total profit or loss for the year would have been £81.2m (2019: £82.2m).

Foreign currency risk, arising from movements in currency rates applicable to the Group's investment in equities and fixed interest securities and the net assets of the Group's overseas subsidiaries denominated in currencies other than sterling. The Group's financial assets denominated in currencies other than sterling were:

			2020			2019
GROUP	Investments £m	Net monetary assets £m	Total currency exposure £m	Investments £m	Net monetary assets £m	Total currency exposure £m
US Dollar	40.1	11.7	51.8	70.7	5.0	75.7
Canadian Dollar	5.5	–	5.5	7.2	–	7.2
Euro	65.2	0.4	65.6	49.6	0.7	50.3
Danish Krone	2.3	–	2.3	2.9	–	2.9
Swedish Krona	–	–	–	1.0	–	1.0
Swiss Franc	9.5	–	9.5	11.0	–	11.0
Hong Kong Dollar	–	1.0	1.0	–	0.4	0.4
Japanese Yen	9.3	–	9.3	8.7	–	8.7
	131.9	13.1	145.0	151.1	6.1	157.2

The Group US dollar net monetary assets is that held by the US operations of £1.4m (2019: £3.1m) together with £10.3m (2019: £1.2m) held by non-US operations.

			2020			2019
COMPANY	Investments £m	Net monetary assets £m	Total currency exposure £m	Investments £m	Net monetary (liabilities) £m	Total currency exposure £m
US Dollar	40.1	9.9	50.0	70.7	0.1	70.8
Canadian Dollar	5.5	–	5.5	7.2	–	7.2
Euro	65.2	–	65.2	49.6	–	49.6
Danish Krone	2.3	–	2.3	2.9	–	2.9
Swedish Krona	–	–	–	1.0	–	1.0
Swiss Franc	9.5	–	9.5	11.0	–	11.0
Japanese Yen	9.3	–	9.3	8.7	–	8.7
	131.9	9.9	141.8	151.1	0.1	151.2

20. Financial instruments continued

The holding in Scottish Oriental Smaller Companies Trust is denominated in sterling but has underlying assets in foreign currencies equivalent to £7.1m (2019: £7.2m which included £23.0m in Baillie Gifford Pacific and Stewart Investors Asia Pacific OEICs which were sold in 2019). Investments made in the UK and overseas have underlying assets and income streams in foreign currencies which cannot easily be determined and have not been included in the sensitivity analysis. If the value of all other currencies at 31 December 2020 rose or fell by 10% against sterling, the impact on the Group's total profit or loss for the year would have been £15.5m and £12.5m respectively (2019: £17.6m and £14.2m). Corresponding 10% changes in currency values on the Company's total profit or loss for the year would have been the same. The calculations are based on the investment portfolio at the respective year end dates and are not representative of the year as a whole.

Interest rate risk, arising from movements in interest rates on borrowing, deposits and short-term investments. The Board reviews the mix of fixed and floating rate exposures and ensures that gearing levels are appropriate to the current and anticipated market environment. The Group's interest rate profile was:

						2020
	GROUP				COMPANY	
	Sterling £m	HK Dollars £m	US Dollars £m	Euro £m	Sterling £m	US Dollars £m
Floating rate assets	28.2	1.0	11.7	0.4	22.0	9.9

						2019
	GROUP				COMPANY	
	Sterling £m	HK Dollars £m	US Dollars £m	Euro £m	Sterling £m	US Dollars £m
Floating rate assets	65.1	0.4	5.0	0.7	46.0	0.1

The Group holds cash and cash equivalents on short-term bank deposits and money market funds. Interest rates tend to vary with bank base rates. The investment portfolio is not directly exposed to interest rate risk.

	GROUP		COMPANY	
	2020 Sterling £m	2019 Sterling £m	2020 Sterling £m	2019 Sterling £m
Fixed rate liabilities	114.2	114.2	74.5	74.6
Weighted average fixed rate for the year	4.589%	4.589%	3.770%	3.770%

If interest rates during the year were 1.0% higher the impact on the Group's total profit or loss for the year would have been £458,000 credit (2019: £791,000 credit). It is assumed that interest rates are unlikely to fall below the current level.

The Company holds cash and cash equivalents on short-term bank deposits and money market funds, it also has short-term borrowings. Amounts owed to subsidiary undertakings include £40m at a fixed rate. Interest rates on cash and cash equivalents and amounts due to subsidiary undertakings at floating rates tend to vary with bank base rates. A 1.0% increase in interest rates would have affected the Company's profit or loss for the year by £317,000 credit (2019: £593,000 credit). The calculations are based on the balances at the respective year end dates and are not representative of the year as a whole.

Liquidity risk

Is the risk arising from any difficulty in realising assets or raising funds to meet commitments associated with any of the above financial instruments. To minimise this risk, the Board's strategy largely limits investments to equities and fixed interest securities quoted in major financial markets. In addition, cash balances are maintained commensurate with likely future settlements. The maturity of the Group's existing borrowings is set out in note 21. The interest on borrowings is paid bi-annually on March and September for the 2045 secured senior notes and April and October for the 2034 secured bonds.

20. Financial instruments continued

Credit risk

Is the risk arising from the failure of another party to perform according to the terms of their contract. The Group minimises credit risk through policies which restrict deposits to highly rated financial institutions and restrict the maximum exposure to any individual financial institution. The Group's maximum exposure to credit risk arising from financial assets is £57.9m (2019: £78.4m). The Company's maximum exposure to credit risk arising from financial assets is £36.2m (2019: 46.7m).

Stock lending

Stock lending agreements are transactions in which the Group lends securities for a fee and receives cash as collateral. The Group continues to recognise the securities in their entirety in the statement of financial position because it retains substantially all of the risks and rewards of ownership. Because as part of the lending arrangement the Group sells the contractual rights to the cash flows of the securities, it does not have the ability to use the transferred assets during the term of the arrangement.

Stock lending transactions are carried out with a number of approved counterparties. Details of the value of securities on loan at the year end can be found in note 28. In summary, the Group only transacts with counterparties that it considers to be credit worthy.

Trade and other receivables

Trade and other receivables not impaired but past due by the following:

	GROUP		COMPANY	
	2020 £000	2019 £000	2020 £000	2019 £000
Between 31 and 60 days	1,550	1,225	–	–
Between 61 and 90 days	1,044	219	–	–
More than 91 days	4,804	2,330	–	–
Total	7,398	3,774	–	–

IFRS 9 credit loss rates

The Group applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables and contract assets. To measure expected credit losses trade receivables are grouped based on similar risk characteristics including business area and business geography and ageing.

The expected loss rates are based on the Company's historical credit losses experienced over a three-year period prior to the year end. The historical loss rates are adjusted for current and forward-looking information on macroeconomic factors affecting the Company's customers. The Group has identified gross domestic product (GDP) and unemployment trends act as key economic indicators which may impact our customers' future ability to pay debt. At 31 December 2020 the provision in relation to IFRS 9 resulting from credit loss rates is £790,000.

The below table display the gross carrying amount against the expected credit loss provision on Group trade receivables. Excluded from the table below are specific provisions of £2,416,000 which relate to balances 91+ days overdue.

The total specific and credit loss provision at 31 December 2020 is £3,206,000 (2019: £2,907,000).

	Current £000	1-30 days overdue £000	31-60 days overdue £000	61-90 days overdue £000	91+ days overdue £000	Total £000
31 December 2020						
Expected loss rate	4.04%	6.23%	4.43%	8.01%	6.66%	6.25%
Gross carrying amount (£000)	1,781	1,638	1,557	724	6,938	12,638
Loss provision (£000)	(72)	(102)	(96)	(58)	(462)	(790)
31 December 2019						
Expected loss rate	2.54%	4.16%	5.85%	0%	3.27%	3.49%
Gross carrying amount (£000)	1,733	1,129	991	181	3,637	7,670
Loss provision (£000)	(44)	(47)	(58)	–	(119)	(268)

20. Financial instruments continued

Trade and other payables

	GROUP		COMPANY	
	2020 £000	2019 £000	2020 £000	2019 £000
Due in less than one month	27,139	12,686	13,075	1,420
Due in more than one month and less than three months	266	324	–	–
	27,405	13,010	13,075	1,420

Fair value

The Directors are of the opinion that the fair value of financial assets and liabilities of the Group are not materially different to their carrying values, with the exception of the long-term borrowings (see note 21). The Group's basis of fair value calculation on these long-term borrowings uses quoted prices (unadjusted) in active markets for identical liabilities that the entity can access at the measurement date. The Group does not make adjustments to quoted prices, only under specific circumstances, for example when a quoted price does not represent the fair value (i.e. when a significant event takes place between the measurement date and market closing date).

Derecognition – financial assets

The Group enters into stock lending transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised.

21. Long-term borrowings

	GROUP		COMPANY	
	2020 £000	2019 £000	2020 £000	2019 £000
Long-term borrowings are repayable as follows:				
In more than five years				
Secured				
6.125% guaranteed secured bonds 2034	39,632	39,606	–	–
3.77% secured senior notes 2045	74,569	74,551	74,569	74,551
	114,201	114,157	74,569	74,551

The 6.125% bonds were issued by Law Debenture Finance p.l.c. and guaranteed by the Company. The £40m nominal tranche, which produced proceeds of £39.1m, is constituted by a trust deed dated 12 October 1999 and the Company's guarantee is secured by a floating charge on the undertaking and assets of the Company. The bonds are redeemable at nominal amount on 12 October 2034. Interest (see note 6) is payable semi-annually in equal instalments on 12 April and 12 October in each year.

The 3.77% notes were issued by the Company. The £75m nominal tranche, which produced proceeds of £74.5m, is constituted by a note purchase agreement and the notes are secured by a floating charge which ranked pari passu with the charge given as part of the 6.125% bond issue. The notes are redeemable at nominal amount on 25 September 2045. Interest (see note 6) is payable semi-annually in equal instalments on 25 March and 25 September in each year.

The long-term borrowings are stated in the statement of financial position at book value. Including them at a fair value of £166.4m at 31 December 2020 (2019: £151.2m) would have the effect of decreasing the year end NAV by 44.16p (2019: 31.29p). The estimated fair value is based on the redemption yield of reference gilts plus a margin derived from the spread of A rated UK corporate bond yields over UK gilt yields (2019: A).

22. Contingent liabilities

The Group is from time to time party to legal proceedings and claims, which arise in the ordinary course of the IPS business. The Directors do not believe that the outcome of any of these proceedings and claims, either individually or in aggregate, will have a material adverse effect upon the Group's financial position.

The Company has provided a guarantee to a subsidiary undertaking in respect of the ongoing liabilities of the Group defined benefit pension scheme (see note 24). The Company has provided surety for the lease of the Group's main property which is held by a subsidiary undertaking. The annual rental is currently £871,000 and its full term ends in 2030. The Company provided a guarantee in respect of liabilities that could arise from its US corporate trust business in the period before the business was sold. The guarantee ended in 2019.

23. Leases

i) Definition of a lease

The Group determines at contract inception whether an arrangement contains a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

The Group leases various office properties. Rental contracts are typically made for fixed periods of 1 to 10 years and lease terms are negotiated on an individual basis.

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- Leases of low value assets (under £5,000); and
- Leases with a duration of 12 months or less.

Lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the Group's incremental borrowing rate is used. Generally, the Group uses its incremental borrowing rate as the Group's borrowing rate which is 4.589% as of 1 January 2020.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change to future lease payments arising from a change in an index rate, a change in the estimate of the amount expected to be payable under the residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

Right of use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- Lease payments made at or before commencement of the lease;
- Initial direct costs incurred; and
- The amount of any provision recognised where the Group is contractually required to dismantle, remove or restore the leased asset (typically leasehold dilapidations).

When the Group revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted using a revised discount rate. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised, except the discount rate remains unchanged. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term. If the carrying amount of the right-of-use asset is adjusted to zero, any further reduction is recognised in profit or loss.

23. Leases continued

Right-of-use asset

Additional information on the right-of-use assets is as follows:

	GROUP			
	Office building leases		Total right-of-use assets	
	31 December 2020 £000	31 December 2019 £000	31 December 2020 £000	31 December 2019 £000
Opening balance at 1 January	1,057	2,009	1,057	2,009
Leases signed in year	5,157	149	5,157	149
Lease extension	388	–	388	–
Depreciation	(1,179)	(1,101)	(1,179)	(1,101)
Foreign exchange difference	(10)	–	(10)	–
Closing NBV at 31 December	5,413	1,057	5,413	1,057

Lease liabilities

Lease liabilities are presented in the statement of financial position as follows:

	GROUP	
	31 December 2020 £000	31 December 2019 £000
Current	–	730
Non-Current	5,606	350
Total lease liability	5,606	1,080

ii) Leases signed in the year

During the year the Group signed a 10-year lease for its new London Headquarters at 100 Bishopsgate. On the lease commencement date the Group recognised a right-of-use asset of £5,157,000 and leasehold liability of £5,263,000. The right-of-use asset is recognised at leasehold liability (£5,263,000), plus capitalised direct costs (£233,000), estimated costs of removal and restoring (£180,000) less landlord lease incentives received (£519,000).

24. Pension commitments

For some employees, the Group operates a funded pension plan providing benefits for its employees based on final pensionable emoluments. The assets of the plan are held in a separate trustee administered fund. The Company has appointed an independent sole trustee to oversee the governance of the fund. The plan closed to future accrual of benefits on 31 December 2016 and benefits now increase broadly in line with inflation.

Under the defined benefit pension plan, each member's pension at retirement is related to their pensionable service and final pensionable emoluments. The weighted average duration of the expected benefit payments from the plan is around 20 years. The defined benefit scheme is operated from a trust, which has assets which are held separately from the Group and is overseen by an independent sole trustee who ensures the plan's rules are strictly followed.

These figures were prepared by an independent qualified actuary in accordance with IAS19 (revised), and are based on membership data as at 31 December 2020. The funding target is for the plan to hold assets equal in value to the accrued benefits based on projected pensionable emoluments. If there is a shortfall against this target, then the Group and the Trustee will agree deficit contributions to meet this deficit over a period.

There is a risk to the Group that adverse experience could lead to a requirement for the Group to make additional contributions to reduce any deficit that arises.

24. Pension commitments continued

Contributions are set based upon funding valuations carried out every three years; the next valuation in respect of 31 December 2020 is currently underway. The estimated amount of total employer contributions expected to be paid to the plan during 2021 is £1.0m (2020 actual: £0.9m).

Actuarial gains and losses are recognised immediately through other comprehensive income.

The major assumptions in the 31 December 2020 disclosure under IAS19 (revised) are shown below and are applied to membership data supplied at that date. This shows the net pension assets and liabilities.

	2020	2019
Significant actuarial assumptions:		
Retail Price Inflation	2.80%	2.90%
Consumer Price Inflation*	2.20%	2.10%
Discount rate	1.30%	2.10%
5% limited RPI pension increases in payment	n/a	n/a
General salary increases	n/a	n/a

* Relates to dividends unclaimed over 12 years old.

	2020 years	2019 years
Life expectancy of male/female aged 65 in 2020	23.7/25.5	23.6 / 25.4
Life expectancy of male/female aged 65 in 2040	25.5/27.0	25.4 / 26.9
Weighted average duration	19.1	19.3

	2020 £000	2019 £000
The amounts recognised in the income statement are as follows:		
Interest income	–	(100)
Total (income)/expense recognised in the income statement	–	(100)

	2020		2019	
	Allocation %	£000	Allocation %	£000
The current allocation of plan assets is as follows:				
Equities	41	25,800	50	30,000
Bonds	9	5,900	9	5,600
Gilts	24	15,000	25	14,900
Pensioner annuities	1	800	1	700
Diversified growth funds	13	8,300	13	8,100
Infrastructure	10	6,000	–	–
Cash/other	2	1,200	2	1,200
Total	100	63,000	100	60,500

- The Plan holds a number of pensioner annuities which have been valued consistently with the defined benefit obligation using membership data as at 1 January 2021.
- At the time of writing, the value of the JP Morgan infrastructure fund on 31 December 2020 is unavailable. Therefore, the value of £6.0m used is at an effective date of 1 October 2020.
- The Plan's non-annuity assets are invested in pooled funds, which are not themselves quoted. However the pooled funds are invested in assets with prices quoted and traded on public exchanges. The exception to this is the JP Morgan infrastructure fund, where underlying investments are not quoted.

24. Pension commitments continued

	2020 £000	2019 £000
Reconciliation of present value of defined benefit obligation		
At 1 January	57,800	51,600
Interest on plan liabilities	1,200	1,500
Actuarial losses/(gains) due to:		
Experience on benefit obligations	(400)	(100)
Changes in financial assumptions	9,100	6,200
Changes in demographic assumptions	–	–
Benefits paid	(1,600)	(1,400)
Update to 31 December 2020 membership data (gain)/loss	(300)	–
At 31 December	65,800	57,800

	2020 £000	2019 £000
Reconciliation of fair value of plan assets		
At 1 January	60,500	54,100
Interest on plan assets	1,200	1,600
Actual returns net of interest	1,900	5,300
Contributions by the employer	1,000	900
Benefits paid	(1,600)	(1,400)
At 31 December	63,000	60,500

The pension plan is exposed to investment risk, (the movement of the discount rate used against the value of the plans assets,) interest rate risk (decreases/increases in the discount rate which will increase/decrease the defined benefit obligation) and longevity risk (changes in the estimation of mortality rates of members).

	2020 £000	2019 £000
Movement in the net defined benefit obligations		
(Asset) at 1 January	(2,700)	(2,500)
(Income)/expense charged to profit and loss	–	(100)
Amount recognised outside of profit and loss	6,500	800
Employer contributions	(1,000)	(900)
Closing net liability/(assets) at 31 December	2,800	(2,700)

	2020 £000	2019 £000
Plan assets and obligations		
Present value of defined benefit obligation	65,800	57,800
Fair value of plan assets	(63,000)	(60,500)
Deficit/(asset)	2,800	(2,700)

24. Pension commitments continued

Over the year to 31 December 2020, the balance sheet deteriorated from a surplus of £2.7m to a deficit of £2.8m.

This is driven by:

- a significant decrease in the discount rate during the year, which increases the value of the pension obligations.

This was partially offset by:

- investment returns on assets being higher than anticipated; and
- deficit reduction contributions paid by the Company of £1.0m during the year.

25. Related party transactions

Group

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation.

Company

The related party transactions between the Company and its wholly owned subsidiary undertakings are summarised as follows:

	2020 £000	2019 £000
Dividends from subsidiaries	13,709	3,000
Interest on intercompany balances charged by subsidiaries	2,378	2,562
Management charges from subsidiaries	700	600

The key management personnel are the Directors of the Company. Details of their compensation are included in note 5 to the accounts and in Part 2 of the remuneration report on pages 67 to 82. Key management personnel costs inclusive of employers national insurance are £1,352,977 (2019: £1,529,583).

26. Movement in borrowings

Under IAS 7, the movement in borrowings in the year are as follows:

GROUP	31 December 2020 £000	Non-cash items movement £000	31 December 2019 £000	Non-cash items movement £000	31 December 2018 £000
Long-term borrowings					
6.125% guaranteed secured bonds 2034	39,632	26	39,606	28	39,578
3.77% secured senior notes 2045	74,569	18	74,551	17	74,534
	114,201	44	114,157	45	114,112

COMPANY					
Long-term borrowings					
3.77% secured senior notes 2045	74,569	18	74,551	17	74,534
	74,569	18	74,551	17	74,534

The Group had no short-term borrowings in 2020 (2019: nil).

27. Distributable reserves

All historical dividend payments have been made from revenue reserves. After paying the final dividend, the Company has retained earnings to pay 0.1 years of dividend payments at the current level. After paying the final dividend, the Group has retained earnings to pay 0.8 years of dividends at the current level. The Company has realised capital reserves of £637,959,000 (2019: £581,025,000) which would allow 19.6 (2019: 18.9) years of dividend payments at the current level. The Group has realised capital reserves of £572,642,000 (2019: £151,708,000) which would allow 17.6 (2019: 16.8) years of dividend payments at the current level. The Company does not intend to make dividend payments from capital reserves.

28. Stock lending revenue

At 31 December 2020 the total value of securities on loan by the Company for stock lending purposes was £19,325,000 (2019: nil). The maximum aggregate value of securities on loan at any one time during the year ended 31 December 2020 was £38,936,000 (2019: nil).

Revenue derived from stock lending in 2020 is £219,000 (2019: nil).

29. Subsequent events

i) Acquisition

On 29 January 2021, the Group completed an acquisition of the company secretarial business (CSS) of Konexo UK, a division of Eversheds Sutherland (International) LLP. The principal reason for this acquisition was to acquire a complementary business to the Group's existing IPS offering, to increase our market share in this area of professional services and to support our stated objective to provide our shareholders with a steadily increasing source of income. The total consideration for the acquisition is £20 million, paid in cash. Under the terms of the purchase agreement, Law Debenture has agreed to acquire the business on a cash and debt free basis. For the financial year ended 30 April 2020, CSS recorded revenues of £6.2m, estimated EBITDA of £2.2m. The acquisition completed at the end of January 2021.

Established for fifteen years, CSS is a respected part of the Konexo business with UK and international sector expertise. The transferring team has 55 employees, with 15 based in London, 1 in Hong Kong and the remainder in Manchester. The business services a client base of c.450 in more than 100 jurisdictions.

ii) Overdraft

During January 2021, the Company made arrangements to put in place a £50m unsecured overdraft facility. Interest is charged monthly in arrears at a an aggregate of 1.5% plus base rate, and there are no additional fees for this facility.

The photograph shown is *Winner – Best Overall Picture* of the annual LawDeb Lens competition.
Photo credit: Doug Moody

Alternative performance measures

Alternative performance measures are numerical measures of the Company's current, historical or future performance, financial position or cash flows, other than financial measures defined or specified in the financial framework that the Company has chosen to apply (International Financial Reporting Standards and the AIC SORP). The Directors use these measures as a means of assessing the Company's performance. The measures are particularly relevant for investment trusts and are widely used across the investment trust sector.

Net Asset Value per ordinary share

The value of the Company's assets (i.e. investments (see note 14)) and cash at bank (see Statement of Financial Position) less any liabilities (i.e. long-term borrowings (see note 21)) for which the Company is responsible, divided by the number of shares in issue (see note 10). The aggregate NAV is also referred to as total shareholders' funds in the Statement of Financial Position. In Law Debenture's case, the published NAV will include adjustments to reflect the fair value of the IPS business and the Company's long-term debt. There is a detailed summary of the NAV, including a description of how it is calculated, on page 37 of the annual report. From 1 July 2020, the NAV per ordinary share is published daily. Prior to that it was published weekly and immediately after each month end.

The change in NAV per share (see total return below) over one, three, five and ten years, as shown at page 3, is calculated by taking total return over the respective period and dividing by the opening NAV at the start of each period.

Net Asset Value with Debt at Fair Value

The Group's debt (long-term borrowings, further details can be found in note 21 on page 120) is valued in the Statement of Financial Position (page 93) at amortised cost, which is materially equivalent to the repayment value of the debt on the assumption that it is held to maturity. This is often referred to as 'Debt at Par'. The current fair value of the debt, which assumes it is repaid under current market conditions, is referred to as 'Debt at Fair Value'. This fair value is detailed in note 20 on page 120. The difference between the fair and par values of the debt is subtracted from or added to the Statement of Financial Position to derive the NAV with debt at fair value (see note 10 on page 108). The NAV with debt at fair value at 31 December 2020 was £726,994,000 (666.15 pence per ordinary share) and the NAV with debt at par was £787,219,000 (710.31 pence per ordinary share).

Discount or Premium

The amount by which the market price per share of an investment trust is either higher (premium) or lower (discount) than the NAV per share, expressed as a percentage of the NAV per ordinary share.

	NAV per share at fair value pence	NAV per share at par value pence	Share price pence	Premium/ (discount) to fair value NAV	Premium/ (discount) to par value NAV
At 31 December 2020	666.15	710.31	690	3.6	(2.9)
At 31 December 2019	702.17	733.46	650	(7.4)	(11.4)

Gearing/(Net cash)

Net gearing is calculated by dividing total borrowings less cash and cash equivalents by shareholders' funds, expressed as a percentage.

			2020 £000	2019 £000
Borrowings	Statement of financial position		114,201	114,157
Cash and cash equivalents	Statement of financial position		(41,762)	(71,236)
Borrowings less cash		(a)	72,439	42,921
Net assets per Balance Sheet			726,994	775,272
Fair value uplift for IPS business			112,407	91,860
Debt fair value adjustment			(52,182)	(36,993)
Shareholders' funds	Page 37	(b)	787,219	830,139
Net gearing		(a/b)	9%	5%

Alternative performance measures continued

We have reviewed our approach to the calculation of gearing. We believe that it is appropriate to show net gearing in relation to shareholders' funds as it represents the amount of debt funding on the investment portfolio.

Ongoing charges

The ongoing charge ratio has been calculated in accordance with guidance issued by the AIC. It represents the total investment management fee and other administrative expenses expressed as a percentage of the average net asset values with debt at fair value throughout the year.

	2020 £000	2019 £000
Management fee revenue expense	447	512
Other administration costs	2,123	1,674
Administration costs (see note 7)	2,570	2,186
Management fee capital expense	1,341	1,537
Ongoing charge	3,911	3,723
Average net assets[1]	717,235	770,001
Ongoing charge ratio	0.55%	0.48%

1 Calculated using the average month-end net asset value with debt at fair value.

Revenue Earnings per Share

The revenue earnings per share is the revenue return for the year (see Income Statement) divided by the weighted average number of ordinary shares in issue during the year (see note 10 on page 108).

NAV Total Return

The total return is the return on the share price or NAV with debt at fair value taking into account both the rise and fall of NAVs/share prices and dividends paid to shareholders. Any dividends received by a shareholder are assumed to have been reinvested in either additional shares (for share price total return) or the Company's assets (for NAV with debt at fair value total return). Dividends paid and payable are set out in note 9 on page 107.

	NAV per share with debt at fair value	Share price
NAV/Share price per share at 31 December 2019 (pence)	702.17	650
NAV/Share price per share at 31 December 2020 (pence)	666.15	690
Change in the year (%)	(5.1)	6.2
Impact of dividends reinvested (%)	7.1	6.7
Total return for the year (%)	2.0	12.9

Yield

The yield is the annual dividend expressed as a percentage of the year end share price.

	2020 £000	2019 £000
Annual dividend (pence)	27	26
Share price (pence)	690	650
Yield (C = A / B) (%)	3.9%	4.0%

Company advisers and information

Registered office

8th Floor, 100 Bishopsgate, London, EC2N 4AG

T: 020 7606 5451
F: 020 7606 0643
W: www.lawdebenture.com

(Registered in England – No. 30397)

Investment managers

James Henderson and Laura Foll are joint managers. They also manage Lowland Investment Company plc, Henderson Opportunities Trust plc and the Henderson UK Equity Income & Growth Fund.

James joined Henderson Global Investors (now Janus Henderson Investors) in 1983 and has been an investment trust portfolio manager since 1990. He first became involved in the management of Law Debenture's portfolio in 1994 and took over lead responsibility for management of the portfolio in June 2003.

Laura joined Janus Henderson Investors in 2009 and has held the position of portfolio manager on the Global Equity Income team since 2014. She first became involved with Law Debenture's portfolio in September 2011 and became joint portfolio manager in 2019.

Alternative Investment Fund Manager

The Law Debenture Corporation p.l.c.

Investment portfolio manager

Janus Henderson Global Investors
201 Bishopsgate, London EC2M 3AE

Auditors

BDO LLP, 55 Baker Street, London W1U 7EU

Depositary

NatWest Trustee and Depositary Services Limited
250 Bishopsgate, London EC2M 4AA

Global custodian

HSBC Bank plc (under delegation by the depositary)
8 Canada Square, London E14 5HQ

Registrar

Computershare Investor Services PLC
The Pavilions, Bridgwater Road, Bristol BS99 6ZZ

T: 0370 707 1129

Broker

J.P. Morgan Cazenove Limited
25 Bank Street, London E14 5JP

AIC

A member of the Association of Investment Companies

Shareholder information

Investment trust status

The Company carries on business as an investment trust company as defined in Sections 1158-1159 of the Corporation Tax Act 2010.

Company share information

Information about the Company can be found on its website www.lawdebenture.com. The market price of its ordinary shares is also published daily in the Financial Times.

Registrars

Our registrars, Computershare Investor Services PLC, operate a dedicated telephone service for Law Debenture shareholders – 0370 707 1129. Shareholders can use this number to access holding balances, dividend payment details, share price data, or to request that a form be sent to their registered address.

Share dealing

Computershare Investor Services PLC offers shareholders a share dealing service via the internet or by telephone, details of which are as follows:

www.computershare.trade

T: 0370 703 0084

Commission for the internet service is 1% with a minimum charge of £30 and 1% for the telephone service, plus £50.

The service is available only to those shareholders who hold their shares on the register (i.e. it is not available to those who hold their shares via a nominee).

Shareholders using the internet service will need their Shareholder Reference Number (SRN) and post code to complete their trade. The SRN can be found printed on your proxy card.

Computershare Brokerage Services are provided by The Share Centre Ltd, which is a member of the London Stock Exchange and is authorised and regulated by the FCA. The Company is not responsible or liable for anything arising from a shareholder's decision to use the service. The Company is not acting as an introducer for the share dealing service and receives no financial benefit, either from making shareholders aware of the service or from any share deals conducted by shareholders who use the service.

Financial calendar

Dividend and interest payments

Ordinary shares:	
Three interim dividends	Announced in June, September and December
	Paid, July, October and January
Final dividend	Announced in February Paid April
6.125% guaranteed secured notes	Paid April and October
3.77% senior secured notes	Paid March and September
Group results:	
Half year results	Announced in July
Full year results	Announced in February
Report and accounts	Published in March
Annual general meeting	Held each year in April
Factsheets	Published monthly on the Company's website

Payment methods for dividends

Dividends and interest can be paid to shareholders by means of BACS. Mandate forms for this purpose are available on request from the Company's registrars.

Subsidiary company details

Subsidiary companies not incorporated in the United Kingdom, as listed at pages 111 and 112, are registered at the following addresses:

Companies registered in Hong Kong	Suite 1301 Ruttonjee House, Ruttonjee Centre, 11 Duddell Street, Central, Hong Kong
Companies registered in the Republic of Ireland	38/39 Fitzwilliam Square, Dublin 2, Ireland
Companies registered in USA *other than Delaware Corporate Services*	801 2nd Avenue, Suite 403, New York, NY 10017, USA
Companies registered in USA - Delaware Corporate Services	919 N Market St, Suite 725, Wilmington, DE 19801, USA
Company registered in Jersey	3rd Floor, Standard Bank House, 47-49 La Motte Street, St Helier, Jersey JE2 4SZ
Company registered in Cayman Islands	Governors Square, Suite 5-204, 23 Lime Tree Bay Avenue, P.O. Box 477, Camana Bay, KY1-1108
Company registered in Australia	Watson Erskine and Co Pty Ltd, Level 4, 55 Clarence Street Sydney NSW 2000

Notice of annual general meeting

NOTICE IS HEREBY GIVEN that the 131st annual general meeting of the Company will be held electronically in accordance with the information provided on page 142 on 7 April 2021 at 11.00am to transact the following business:

Ordinary resolutions

To consider and, if thought fit, to pass the following resolutions which will be proposed as ordinary resolutions:

1. **To receive the report of the Directors, the strategic report and the audited accounts and the auditor's report for the year ended 31 December 2020.**
2. **To receive and approve the Directors' remuneration report for the year ended 31 December 2020.**
3. **To declare a final dividend of 8.00p per share in respect of the year ended 31 December 2020.**
4. **To re-elect Denis Jackson as a Director.**
5. **To re-elect Robert Hingley as a Director.**
6. **To re-elect Mark Bridgeman as a Director.**
7. **To re-elect Tim Bond as a Director.**
8. **To re-elect Claire Finn as a Director.**
9. **To elect Trish Houston as a Director.**
10. **To re-appoint BDO LLP as auditors of the Company to hold office until the conclusion of the next general meeting at which the accounts of the Company are laid.**
11. **To authorise the Audit and Risk Committee to determine the auditor's remuneration.**
12. **General authority to allot shares.**

    THAT:

    (a) in substitution for all existing authorities (but without prejudice to any allotments made pursuant to the terms of such authorities), the Directors be generally and unconditionally authorised pursuant to and in accordance with section 551 of the Companies Act 2006 (the 'Act') to exercise for the period ending on the date of the Company's next annual general meeting, all the powers of the Company to allot shares in the Company or to grant rights to subscribe for or to convert any security into shares in the Company up to an aggregate nominal amount (within the meaning of sections 551(3) and (6) of the Act) of £592,279 (representing 11,845,573 ordinary shares) (or, if less, the number representing 10% of the total ordinary shares in issue (excluding treasury shares) as at the date of passing of this resolution); and

    (b) the Company may during such period make offers or agreements which would or might require the making of allotments of equity securities or relevant securities as the case may be after the expiry of such period.

Special resolutions

To consider and, if thought fit, to pass the following resolutions which will be proposed as special resolutions:

13. **Disapplication of statutory pre-emption rights.**

    THAT if resolution 12 is passed, the Directors be authorised to allot equity securities (as defined in the Act) for cash under the authority given by that resolution and/or to sell ordinary shares held by the Company as treasury shares for cash as if section 561 of the Act did not apply to any such allotment or sale, such authority to be limited to:

    (a) the allotment of equity securities or sale of treasury shares in connection with a rights issue, open offer or other issue or offer to ordinary shareholders in proportion (as nearly as possible) to their existing holding of shares (but subject to such exclusions as the Directors may deem necessary or appropriate to deal with fractional entitlements, record dates or legal, regulatory or practical problems arising in any overseas territory, the requirements of any regulatory body or stock exchange or any other matter); and

    (b) the allotment of equity securities or sale of treasury shares (otherwise than under paragraph (a) above up to a nominal amount of £296,139 (representing 5,922,787 ordinary shares), such authority to expire at the next AGM of the Company (or, if earlier, at the close of business on 6 July 2022) but, in each case, prior to its expiry the Company may make offers, and enter into agreements, which would, or might, require equity securities to be allotted (and treasury shares to be sold) after the authority expires and the Directors may allot equity securities (and sell treasury shares) under any such offer or agreement as if the authority had not expired.

14. Additional authority to disapply pre-emption rights for acquisitions or specified capital investment.

THAT, if resolution 12 is passed, the Directors be authorised in addition to any authority granted under resolution 13 to allot equity securities (as defined in the Act) for cash under the authority given by that resolution and/or to sell ordinary shares held by the Company as treasury shares for cash as if section 561 of the Act did not apply to any such allotment or sale, such authority to be:

(a) limited to the allotment of equity securities or sale of treasury shares up to a nominal amount of £296,139 (representing 5,922,787 ordinary shares); and

(b) used only for the purposes of financing (or refinancing, if the authority is to be used within six months of the original transaction) a transaction which the Directors of the Company determine to be an acquisition or other capital investment of a kind contemplated by the Statement of Principles on disapplying Pre-Emption Rights most recently published by the Pre-Emption Group prior to the date of this notice,

such authority to expire at the next AGM of the Company (or, if earlier, at the at the close of business on 6 July 2022) but, in each case, prior to its expiry the Company may make offers, and enter into agreements, which would, or might, require equity securities to be allotted (and treasury shares to be sold) after the authority expires and the Directors may allot equity securities (and sell treasury shares) under any such offer or agreement as if the authority had not expired.

15. General authority to buy back shares.

THAT the Company be and is generally and unconditionally authorised in accordance with sections 693 and 701 of the Act to make market purchases (within the meaning of section 693(4) of the Act) of any of its issued ordinary shares of 5p each in the capital of the Company, in such manner and upon such terms as the Directors of the Company may from time to time determine, provided always that:

(a) the maximum aggregate number of shares that may be purchased is 17,756,514;

(b) the minimum price which may be paid for a share shall be 5p;

(c) the maximum price which may be paid for a share shall be an amount equal to 105% of the average of the middle market quotations (as derived from the London Stock Exchange Daily Official List) for the shares for the five business days immediately preceding the day on which the share is purchased; and

(d) unless previously revoked, renewed or varied, the authority hereby conferred shall expire on the date of the Company's next annual general meeting provided that a contract of purchase may be made before such expiry which will or may be executed wholly or partly thereafter, and a purchase of shares may be made in pursuance of any such contract.

16. Adoption of new articles.

THAT the Articles of Association contained in the document produced to the Meeting and signed by the Chairman for the purposes of identification, be approved and adopted as the new Articles of Association of the Company in substitution for, and to the exclusion of, the existing Articles of Association, with effect from the conclusion of the Meeting.

17. Authority to convene a general meeting – notice.

THAT a general meeting of the Company, other than an annual general meeting, may be called on not less than 14 clear days' notice.

By order of the Board

Law Debenture Corporate Services Limited
Secretary | 25 February 2021
Registered No. 30397

Registered office:
8th Floor
100 Bishopsgate
London EC2N 4AG

Summary of Proposed Amendments to the Articles of Association

25 February 2021

ARTICLE	AMENDMENT
2 – Interpretation	The definitions have been updated so that they are in alphabetical order. A definition of "Adjusted Capital and Reserves" has been included. This is used in Article 100.3 (Borrowing Powers). A definition of "adjusted price" has been included. This is used in Article 119.4 (Capitalisation of profits and reserves). A definition of "Articles" has been included in order to clarify that all references to "Articles" means these Articles of Association as amended from time to time. This is used throughout the Articles. A definition of "Auditors" has been included. This is used in Articles 46.2 (Notice of General Meetings), 91.1 (Interests and conflicts of interest), 96 (General powers), 100.3 (Borrowing powers), 123 (Auditors) and 124 (Auditor's right to attend General Meetings). A definition of "Board" has been included. This is used throughout the Articles. A definition of "clear days" has been included. This is used in Articles 46 (Notice of General Meetings) and 50 (Lack of quorum). A definition of "Directors" has been included. This is used throughout the Articles. A definition of "elected Ordinary Shares" has been included. This is used in Article 120.6 (Scrip dividends). A definition of "General Meeting" has been included. This is used throughout the Articles. The amended Articles use terminology from the Companies Act 2006, and therefore all General Meetings are referred to as General Meetings, with Annual General Meetings being specifically referred to as such, where appropriate. The concept of Extraordinary General Meetings has been removed. A definition of "holding company" has been included. This is used in Article 96 (General powers). A definition of "Listing Rules" has been included. This is used in Article 12 (Issue of share certificates). A definition of "Market Rules" has been included. This is used in Articles 15 (Warrants or options to subscribe for shares) and 39 (Further provisions on shares in uncertificated form). A definition of "minority proportion" has been included. This is used in Article 100.3 (Borrowing Powers).A definition of "Ordinary Resolution" has been included. This is used in Articles 6 (Rights attaching to shares on issue), 54 (Amendments to resolutions), 70 (Number of directors), 72 (Directors' fees), 79 (Re-election of retiring Director), 81 (Election or appointment of additional Director), 83 (Removal of Director), 92.4 (Restrictions on voting), 100.2 (Borrowing powers), 107 (Final dividends), 109 (Distribution in specie), 119.1 (Capitalisation of profits and reserves) and 120.2 (Scrip dividends). A definition of "New Share" has been included. This is used in Article 119.4 (Capitalisation of profits and reserves). A definition of "principal meeting place" has been included. This is used in Article 47A (General Meetings at more than one place). A definition of "Relevant Company" has been included. This is used in Article 134.3 (Indemnity). The definition of "Seal" has been updated to clarify that the Corporation only has one seal. This is used in Articles 11 (Form of share certificate) and 103 (The Seal), The definition of "Securities Seal" has been removed as this is no longer used by the Corporation. A definition of "Special Resolution" has been included. This is used in Articles 5 (Purchase of own shares), 30.1 (Manner of variation of rights), 47.2 (Contents of notice of General Meetings), 54.2 (Amendments to resolutions), 96 (General powers) and 132 (Distribution of assets in specie). A definition of "subsidiary undertaking" has been included. This is used in Article 96 (General powers). The definition of "in writing" has also been amended to clarify that information may be sent or supplied in hard copy, in electronic form or by being made available on a website. This is used throughout the Articles.

Summary of Proposed Amendments to the Articles of Association continued

25 February 2021

ARTICLE	AMENDMENT
2A – Unrestricted objects	A new Article 2A has been included to note that the Corporation's objects shall be unrestricted. On its incorporation, the Corporation was required to include an objects clause in its Memorandum of Association. This set out the purpose of the Corporation and listed the activities that the Corporation was able to undertake. Following the implementation of the Companies Act 2006, the Corporation's objects automatically became part of its Articles of Association. As the objects clause only serves to limit the activities of the Corporation and no longer reflect the current activities of the Corporation, it is proposed that the Corporation's objects shall be unrestricted.
2B – Change of name	As permitted by the Companies Act 2006, a new Article 2B has been included to allow the Corporation to change its name by a resolution of the Directors.
4A – Redeemable shares	A new Article 4A has been included to authorise the Directors to issue redeemable shares. Any such issue is subject to the provisions of the Companies Act 2006 and the Companies (Shareholders' Rights) Regulations 2009, and to any rights previously conferred on the holders of any other shares.
7 – Directors' power to allot	The language that referred to an allotment period ending in 2004 has been removed on the basis it is now redundant.
12 – Issue of share certificates	Language has been included to note that a shareholder is entitled to a share certificate within whichever is the earliest of (1) any time period required by the Listing Rules of the FCA; and (2) any time limits prescribed by law.
15 – Warrants or options to subscribe for shares	This Article has been simplified and notes that, subject to any restrictions prescribed by law, the Articles, the Admission and Disclosure Standards of the London Stock Exchange and the requirements of the FCA, the Corporation may issue warrants or options to subscribe for shares on such terms and subject to such conditions as the Directors may determine.
32 – Form of transfer	The last sentence of Article 32.1 has been removed as it simply repeated the wording of Article 35. Article 32.2 has been updated to clarify that all transfers of shares which are in uncertificated form may be effected in accordance with the Uncertificated Securities Regulations 2001 and the rules of any relevant system pursuant to such Regulations.
34.1 – Right to refuse registration	This Article has been updated to clarify that an instrument of transfer must be lodged at the Corporation's registered office.
39 – Further provisions on shares in uncertificated form	This Article has been updated to include reference to the FCA and the Admission and Disclosure Standards of the London Stock Exchange, and to further clarify the position on shares held in uncertificated form. In particular, this Article authorises the Directors to permit title to shares to be evidenced other than by a share certificate. This allows the holding and transfer of shares in electronic form, i.e. where shares are held and traded in CREST. This Article also notes that shares may be changed from an uncertificated share to a certificated share (and vice versa) in accordance with the Uncertificated Securities Regulations 2001, and clarifies that the Corporation shall not issue to any person a certificate in respect of an uncertificated share.
44 – Annual General Meetings	As noted above and in accordance with the Companies Act 2006, reference to "Extraordinary General Meetings" has been removed. All General Meetings are referred to as General Meetings, with Annual General Meetings being referred to as such where appropriate.
46 – Notice of General Meetings	Article 46.1 has been updated to provide that, subject to the provisions of the Companies Act 2006, an Annual General Meeting shall be called by not less than 21 clear days' notice in writing and any other General Meeting shall be called by not less than 14 clear days' notice in writing. Article 46.2 has been updated to provide that notice of a General Meeting shall be given to the Auditors, to the Directors and to all members who are entitled under the Articles to receive such notices from the Corporation.

Summary of Proposed Amendments to the Articles of Association continued

25 February 2021

ARTICLE	AMENDMENT
46 – Notice of General Meetings continued	Article 46.3 has been updated to provide that the Directors may determine that persons entitled to receive notice of meetings are those persons entered on the register of members at the close of business on a day determined by the Directors, but if the Corporation is a participating issuer, the day determined by the Directors may not be more than 21 clear days before the date on which the relevant notice is being sent. As section 307A of the Companies Act 2006 sets the minimum notice periods for General Meetings of the Corporation, the consent to short notice provisions have been removed.
47.2 – Contents of notice of General Meetings	This Article has been updated to note that a notice of General Meeting shall also include any statements required by law.
47B – Omission or non-receipt of notice	A new Article 47B has been included to provide that the accidental omission to give notice of a General Meeting or of any resolution intended to be moved at a General Meeting or the accidental omission to send any document relating to any General Meeting to, or the non-receipt of any such notice or document by, any person entitled to receive the notice or document shall not invalidate the proceedings at that meeting.
48 – Chairman	At Article 48.1, the time allowed for the Directors to choose a Director to act as chairman of a General Meeting in the event that the Chairman or Deputy Chairman is not present has been extended from five to fifteen minutes. This is simply for practical reasons. A new Article 48.2 has been included to clarify that the decision of the chairman on points of order, matters of procedure or arising incidentally out of the business of a General Meeting is conclusive. A new Article 48.3 has been included to clarify that nothing in the Articles is intended to restrict or exclude any of the powers or rights of a chairman of a meeting which are given by law.
48C – Entitlement to attend and speak	Article 71 previously set out that a Director who is not a member of the Corporation is entitled to attend and speak at a shareholders' meeting. This language has been updated and added as a new Article 48C.1. A new Article 48C.2 has been included to note that the chairman of the meeting may permit other persons, who are not members or otherwise entitled to exercise the rights of members in relation to General Meetings, to attend and speak at a General Meeting.
49 – Quorum	The quorum required to conduct a General Meeting has been changed from three to two members present in person or by proxy and entitled to vote.
50 – Lack of quorum	The time allowed for a General Meeting to be dissolved in the event a quorum is not present has been increased from five to thirty minutes. This is simply for practical reasons.
54 – Amendments to resolutions	New Articles 54.1 and 54.2 have been included to clarify how ordinary and special resolutions to be proposed at a General Meeting may be amended. Article 54.3 has also been amended to note that, with the consent of the chairman, an amendment may be withdrawn by the proposer before it is voted on.
66 – Deposit of form of proxy	This Article has been updated to clarify that, if a form of proxy does not specify where it is to be delivered, it must be delivered to the Corporation's registered office.
68 – Revocation of proxy	This Article has been updated to clarify that written notice of the death or mental disorder of a member or revocation of the appointment of a proxy must be delivered to the Corporation's registered office. The previous reference to "insanity" has been replaced with "mental disorder".
71 – Share qualification	The reference to a Director who is not a member of the Corporation being entitled to attend and speak at shareholders' meeting has been removed, as this is now covered at Article 48C.
76 – Appointment of executive Directors	Article 76.2 relating to the cessation of an executive Director's appointment to the Board upon the termination of their employment with the Corporation has been removed as it is redundant. Article 76.3 relating to the cessation of an executive Director's employment with the Corporation not being automatic upon the cessation of their appointment as an executive Director to the Board has been removed as it is redundant.

Summary of Proposed Amendments to the Articles of Association continued

25 February 2021

ARTICLE	AMENDMENT
78 – Retirement and re-election of Directors	This Article has been updated to clarify that at each annual general meeting of the Corporation, the directors may resolve that all of the directors shall retire and may offer themselves for election or re-election as appropriate.
80 – Nomination of Director for election	A new Article 80.2 has been included to provide that the names of the persons submitted for election or re-election shall be accompanied by sufficient biographical details and other relevant information to enable shareholders to make an informed decision on the election or re-election of such persons.
81 – Election of two or more Directors	This Article has been removed as it is no longer relevant.
82 – Vacation of office	The list of events in which the office of a Director shall be vacated has been updated as follows: • to include reference to the expiry of a fixed term of appointment; • to include reference to section 253 of the Insolvency Act 1986; • to allow the Directors to resolve that a Director's office be vacated in the event that such Director becomes incapable by reason of illness or injury of administering his property and affairs; and • to include reference to a Director not being re-elected in accordance with Article 78.
84 – Convening of meetings of Directors	All references to fax machines deleted.
96 – General Powers	The historic reference to "wives and widows" has been updated as it is no longer appropriate.
101 – President	The authority granted to Directors to elect a President either on an honorary or paid basis, with the right to attend and speak but not vote at Board meetings has been removed, as it is no longer relevant to the Corporation.

Explanatory notes to the notice of annual general meeting

The notice of the Annual General Meeting (the 'Notice') to be held on 7 April 2021 (the 'Meeting') is set out on pages 132 and 133. The following notes provide an explanation as to why the resolutions set out in the notice are being put to shareholders.

Resolution 1
Under the Companies Act 2006 (the 'Act'), the Directors are required to present the annual accounts and reports of the Company to shareholders at a general meeting. These are contained in the Company's 2020 annual report and financial statements for the year ended 31 December 2020 (the '2020 Annual Report'), which was sent to shareholders on 3 March 2021.

Resolution 2
In accordance with the provisions of the Act, the Company's Report on Directors' Remuneration will be put to an annual shareholder vote by ordinary resolution. This vote is advisory in nature and is in respect of the overall remuneration package which is in place for Directors – it is not specific to individual levels of remuneration nor is the entitlement of a Director to remuneration conditional on the vote being passed. The report is set out in full on pages 67 to 82 of the 2020 Annual Report.

Resolution 3
The Board proposes a final dividend of 8.00 pence per share in respect of the year ended 31 December 2020. If approved, the recommended final dividend will be paid on 15 April 2021 to all ordinary shareholders who are on the register of members on 12 March 2021. The shares will be marked ex-dividend on 11 March 2021.

Resolutions 4 – 9
Under the Company's Articles of Association (the 'Articles'), one third of the Directors must retire from office by rotation at each annual general meeting and may offer themselves for re-election (this does not include Directors appointed to the Board since the last annual general meeting). The 2018 UK Corporate Governance Code recommends that all directors of premium listed companies should be subject to annual re-election, so Denis Jackson, Robert Hingley, Mark Bridgeman, Tim Bond and Claire Finn will retire from office and offer themselves for re- election. Robert Laing will not seek re-election. The UK Corporate Governance Code and the Articles also require any new Directors appointed by the Board since the last annual general meeting to stand for election at the next annual general meeting. Accordingly, Trish Houston, having joined the Board in September 2020, also retires from office and offers herself for election.

The biographical details for each Director are set out on pages 50 and 51 of the 2020 Annual Report.

In proposing the election/re-election of the Directors, the Chairman confirms that, following rigorous external performance evaluations (described on pages 56 and 57 of the 2020 Annual Report), each individual continues to make an effective and valuable contribution to the Board and demonstrates commitment to their role. Accordingly, the Board recommends their election or re-election as appropriate.

Resolution 10
The Company's auditors must offer themselves for reappointment at each annual general meeting at which accounts are presented. Accordingly, the Board, on the recommendation of the Audit and Risk Committee, recommends the re-appointment of BDO LLP as the Company's auditors.

Resolution 11
This resolution, if passed, will authorise the Audit and Risk Committee to agree the remuneration of BDO LLP for their services as auditors.

Resolution 12
Under the Act, Directors may not allot shares in the Company (or grant certain rights over shares) without the authority of shareholders in general meeting (other than pursuant to an employee share scheme). In certain circumstances this could be unduly restrictive. The Directors' existing authority to allot ordinary shares, which was granted at the annual general meeting of the Company held on 7 April 2020, will expire at the end of this year's AGM.

The Investment Association's Share Capital Management Guidelines and the Pre-Emption Group Principles permit, and regard as routine, an authority to allot up to two-thirds of a company's existing issued share capital. Subject to the passing of this resolution, which will be proposed as an ordinary resolution, the Directors will be authorised, in place of all existing authorities, to allot shares (pursuant to section 551 of the Act)up to an aggregate nominal amount of £592,279 (representing 11,845,573 ordinary shares), representing approximately ten per cent of the nominal value of the issued ordinary shares on 25 February 2021 (being the last practicable date prior to the publication of this document). As at 25 February 2021, the Company did not hold any shares in treasury.

The authority conferred will expire (unless previously revoked, varied or renewed) at the end of the next annual general meeting. However, the Company may make an offer or agreement prior to the expiry of this authority which would or might require shares to be allotted after the expiry of this authority – in this case, the Directors will be permitted to allot securities pursuant to such offer or agreement as if this authority had not expired.

Resolution 13
Unless they are given an appropriate authority by shareholders, if the Directors wish to allot any shares for cash or grant rights over shares (other than pursuant to an employee share scheme) they must first offer them to existing shareholders in proportion to their existing holdings. These are known as pre-emption rights. The existing disapplication of these statutory pre-emption rights, which was granted at the annual general meeting held on 7 April 2020, will expire at the end of this year's annual general meeting.

Resolution 13 seeks approval to disapply the pre-emption rights, by allowing Directors to allot equity securities (including a sale of treasury shares) for cash: (i) in connection with rights issues and other preemptive issues in favour of existing shareholders in proportion to their existing holdings (subject to certain exclusions); (ii) by way of an open offer or other issue of securities in favour of existing shareholders in proportion to their existing holdings (subject to certain exclusions); and (iii) to persons other than existing shareholders up to an aggregate nominal amount of £296,139 (representing 5,922,787 ordinary shares), being no more than five per cent of the issued ordinary share capital in issue on the 25 February 2021, in each case without the equity securities

Explanatory notes to the notice of annual general meeting

continued

first being offered to the existing shareholders in proportion to their existing holdings.

The Directors confirm that in accordance with the Pre-Emption Group's Statement of Principles, they do not intend to issue shares for cash representing more than seven and a half per cent of the Company's issued ordinary share capital in any rolling three-year period other than to existing shareholders, save as permitted in connection with an acquisition or specified capital investment as described below, unless shareholders have been notified and consulted in advance.

Resolution 14
Resolution 14 seeks an additional and separate approval to disapply pre-emption rights by allowing Directors to allot equity securities (or sell treasury shares) for cash, of up to a further five per cent of the total ordinary share capital, representing up to an aggregate nominal amount of £296,139 (representing 5,922,787 ordinary shares), as at 25 February 2021, without such equity securities first being offered to the existing shareholders in proportion to their holdings, where the allotment is to finance an acquisition or capital investment, and/or refinance a transaction of that nature entered into within six months of the original transaction.

The Directors confirm that they will only allot securities (or sell treasury shares for cash) pursuant to this authority where that allotment is in connection with an acquisition or specified capital investment (as described in the Pre-Emption Group's Statement of Principles) which is announced at the same time as the allotment, or which has taken place in the preceding six-month period and is disclosed in the announcement of that allotment.

Further, the Directors confirm that they intend to adhere to the Pre-Emption Group's Statement of Principles and not to allot shares for cash on a non-pre-emptive basis in excess of an amount equal to seven and a half per cent of the total issued share capital (excluding any treasury shares) within a rolling three-year period other than in connection with an acquisition or specified capital investment which is announced contemporaneously with the allotment or which has taken place in the preceding six-month period and is disclosed in the announcement of the allotment.

Resolution 15
Resolution 15 is a special resolution that will grant the Company authority to make market purchases of up to 17,756,514 shares, representing 14.99% of the issued ordinary share capital as at the date of the Notice. Any shares bought back will either be cancelled or placed into treasury at the determination of the Directors.

The maximum price which may be paid for each share must not be more than 105% of the average of the mid-market values of the Ordinary Shares for the five business days before the purchase is made. The minimum price which may be paid for each ordinary share is 5p.

The Directors are committed to managing the Company's capital effectively and do not intend to exercise such authority at present. Purchases would only be made after considering the effect on earnings per share and the benefits for shareholders generally.

This authority shall expire at the Annual General Meeting to be held in 2022 when a resolution to renew the authority will be proposed.

Resolution 16
The Board is proposing to make amendments to the Company's current Articles of Association approved by shareholders on 11 February 2021. A summary of the proposed changes is set out on pages 134 to 137.

Resolution 17
The Act requires that all general meetings must be held on at least 21 clear days' notice. Notwithstanding the notice provisions in the Articles, a general meeting (other than an annual general meeting) may be held on at least 14 clear days' notice where:

- the Company makes an electronic means of voting available to all shareholders for the meeting. This condition is met by the Company providing the facility for shareholders to appoint a proxy via an online shareholder portal operated by our Registrars; and
- the shareholders pass a special resolution reducing the period of notice to not less than 14 days either at the immediately preceding annual general meeting or a general meeting held since that annual general meeting.

It is not the Company's intention to use the shorter notice period as a matter of routine but only when the flexibility is merited by the business of the meeting and is thought to be in the interests of shareholders as a whole. If given, this approval will be effective until the end of the next annual general meeting.

Recommendation
Full details of the above resolutions are contained in the Notice. The Directors consider that all the resolutions to be proposed at the Meeting are in the best interests of the Company and its members as a whole. The Directors unanimously recommend that shareholders vote in favour of all the resolutions, as they intend to do in respect of their own beneficial holdings.

Shareholder notes

The following notes explain your general rights as a shareholder and your right to attend and vote at the Meeting or to appoint someone else to vote on your behalf.

1. To be entitled to attend and vote at the meeting (and for the purpose of the determination by the Company of the number of votes they may cast), shareholders must be registered in the register of members of the Company at close of business on Thursday, 1 April 2021 (or, in the event of any adjournment, close of business on the date which is 48 hours before the time of the adjourned meeting). Changes to the register of members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting. In the case of joint holders of a share, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders and for this purpose seniority is determined by the order in which the names stand in the register of members in respect of the share.

2. Shareholders are entitled to appoint a proxy to exercise all or part of their rights to attend, and to speak and vote on their behalf at the meeting. A shareholder may appoint more than one proxy in relation to the meeting provided that each proxy is appointed to exercise the rights attached to a different ordinary share or ordinary shares held by that shareholder. A proxy need not be a shareholder of the Company. A form of proxy, which accompanies this Notice, may be used to make such appointment and give proxy instructions. If you do not have a form of proxy and believe that you should have one, or if you require additional forms, please contact the Company's registrar, whose contact details are provided above.

3. Dispatch instructions: To be valid, any form of proxy and any power of attorney or other authority under which it is executed (or a duly certified copy of any such power or authority), must be returned by no later than 11:00 am on Thursday, 1 April 2021 through any one of the following methods:

   (a) by post at Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol, BS99 6ZY, United Kingdom

   (Tel: 0370 707 1129 if dialling from the UK and +44 370 707 1129 if dialling from abroad); or

   (b) by hand or courier (during normal business hours only) to the Company's UK registrar at: Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol, BS13 8AE, United Kingdom

   (Tel: 0370 707 1129 if dialling from the UK and +44 370 707 1129 if dialling from abroad); or

   (c) electronically through the website of the Company's UK registrar at www.investorcentre.co.uk/eproxy, where the following details, which can be found on your proxy card or in an email received from Computershare, will be required:

   - the meeting control number;
   - your shareholder reference number; and
   - your unique pin code; or

   (d) in the case of shares held through CREST, via the CREST system (see notes 8-11 on pages 140 and 141).

4. Any person to whom this Notice is sent who is a person nominated under Section 146 of the Companies Act 2006 (the 'Act') to enjoy information rights (a 'Nominated Person') may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.

5. The statement of the rights of shareholders in relation to the appointment of proxies in notes 2 and 8 do not apply to Nominated Persons. The rights described in these paragraphs can only be exercised by shareholders of the Company.

6. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his/her discretion. Your proxy will vote (or abstain from voting) as he/she thinks fit in relation to any other matter which is put before the meeting.

7. If you return more than one proxy appointment (except where multiple proxies have been appointed), either by paper or electronic communication, that appointment received last by the Registrar before the latest time for the receipt of proxies will take precedence. You are advised to read the terms and conditions of use carefully. Electronic communication facilities are open to all shareholders and those who use them will not be disadvantaged.

8. The return of a completed form of proxy, electronic filing or any CREST proxy instruction (as described in note 10 below) will not prevent a shareholder from attending the meeting and voting in person if he/she wishes to do so.

9. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the meeting (and any adjournment of the meeting) by using the procedures described in the CREST Manual (available from https://www.euroclear.com/site/public/EUI). CREST personal members or other CREST sponsored members, and those CREST members who have appointed a service provider/(s), should refer to their CREST sponsor or voting service provider/(s), who will be able to take the appropriate action on their behalf.

10. In order for a proxy appointment or instruction made by means of CREST to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the issuer's agent by 11:00 am on Thursday, 1 April 2021. For this purpose, the time of receipt will be taken to mean the time (as determined by the timestamp applied to the message by the CREST application host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of

instructions to proxies appointed through CREST should be communicated to the appointee through other means.

11. CREST members and, where applicable, their CREST sponsors, or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider, to procure that his CREST sponsor or voting service provider takes such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings. The Company may treat a CREST Proxy Instruction as invalid in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

12. Any corporation which is a member can appoint one or more corporate representative/(s) who may exercise, on its behalf, all its powers as a member provided that no more than one corporate representative exercises powers in relation to the same shares.

13. As at 25 February 2021 (being the latest practicable business day prior to the publication of this Notice), the Company had an issued share capital of 118,455,732 ordinary shares, carrying one vote each and no restrictions and no special rights with regard to the control of the Company. There are no other classes of share capital and none of the Company's issued shares are held in treasury. Therefore, the total voting rights in the Company is 118,455,732.

14. Under Section 527 of the Act, shareholders meeting the threshold requirements set out in that Section have the right to require the Company to publish, on a website, a statement setting out any matter relating to:

    (i) the audit of the Company's financial statements (including the auditor's report and the conduct of the audit), which are to be laid before the meeting; or

    (ii) any circumstances connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with Section 437 of the Act. The Company may not require the shareholders requesting any such website publication to pay its expenses in complying with Sections 527 or 528 of the Act. Where the Company is required to place a statement on a website under Section 527 of the Act, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. Business which may be dealt with at the meeting for the relevant financial year includes any statement that the Company has been required to publish on a website under Section 527 of the Act.

15. Any shareholder attending the meeting has the right to ask questions. The Company must answer any such question relating to the business being dealt with at the meeting, but no such answer need be given if: (a) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information; (b) the answer has already been given on a website in the form of an answer to a question; or (c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

    Registered shareholders may submit their questions to the Directors in advance of the meeting by sending an email to the Company Secretary at TSU.cosec@lawdeb.com and the Company will answer these in due course.

16. The following documents are, subject to any security arrangements or restrictions in place as a result of the current Covid-19 pandemic, available for inspection from Monday, 15 March 2021 until the time of the meeting:

    (a) copies of the Directors' letters of appointment or service contracts;

    (b) a copy of the proposed new Articles of Association of the Company; and

    (c) a copy of the existing Articles of Association of the Company.

    Inspection of these documents may only take place in accordance with measures imposed by the UK Government in connection with the Covid-19 pandemic. The Company has its own procedures in place to comply with those measures. Accordingly, if you wish to inspect any of these documents, you should email TSU.cosec@lawdeb.com to arrange an appointment.

17. You may not use any electronic address provided in either this Notice or any related documents (including the form of proxy) to communicate with the Company for any purposes other than those expressly stated.

18. Personal data provided by shareholders at or in relation to the meeting will be processed in line with the Company's privacy policy. Detailed information on how the Company processes your personal data and what your rights are under applicable data privacy laws can be accessed on the Company's website at https://www.lawdebenture.com/privacy-and-cookie-policy.

A copy of this Notice and other information required by section 311A of the Act, can be found on the Company's website at https://www.lawdebenture.com/investment-trust/shareholder-information/corporate-governance/agm.

Annual general meeting online user guide

HOW TO JOIN

1 To participate in the meeting, you will be required to enter the unique 9-digit Meeting ID: 110-084-910.

2 To register as a shareholder, please enter your SRN and PIN, which may be found on your voting form.

3 **WELCOME PAGE**
Once logged in, you will see the welcome page, which displays the meeting documents (if any) and information on the meeting. Icons will be displayed in different areas, depending on the device you are using.

4 **VIEW LIVESTREAM**
• Click on the 'Broadcast' arrow to watch the livestream.
• Video and/or slides will appear after approx. 30 seconds (depending on the speed of your internet).

5 **TO ASK QUESTIONS**
• Click on the questions icon to submit a question.
• Type your question in the chat box at the bottom of the screen and click the 'Send' arrow to the right.
• A confirmation that your message has been received will be displayed.

6 **TO VOTE**
• Once the poll has been opened, you will automatically see it on the screen.
• To vote, tap one of the voting options. Your response will be highlighted.
• If there is more than one answer option, press 'Send' to cast your vote.
• You can change your vote until the Chairman closes the poll. Simply select another option or click 'Cancel'.

Annual general meeting virtual meeting

Meeting ID: 110-084-910

Meeting Access

Shareholders can participate in the AGM electronically, should they wish to do so. This can be done by accessing the meeting website: **https://web.lumiagm.com**

This can be accessed online using most well-known internet browsers such as Internet Explorer (not compatible with versions 10 and below), Chrome, Firefox and Safari on a PC, laptop or internet-enabled device such as a tablet or smartphone.

On accessing the meeting website, you will be asked to enter a Meeting ID which is: **110-084-910**

You will then be prompted to enter your unique shareholder reference number (SRN) and PIN. These can be found printed on your voting form.

Access to the meeting will be available from 10:00 am on 7 April 2021; however, please note that your ability to vote will not be enabled until the Chairman formally declares the poll open.

Broadcast

The meeting will be broadcast in audio format. Once logged in, and at the commencement of the meeting, you will be able to listen to the proceeding of the meeting on your device.

Voting

Once the Chair has formally opened the meeting, the voting procedure will be explained. Once voting has opened, the polling icon will appear on the navigation bar. From here, the resolutions and voting choices will be displayed.

Select the option that corresponds with how you wish to vote. Once you have selected your choice, the option will change colour and a confirmation message will appear to indicate your vote has been cast and received. There is no submit button. If you make a mistake or wish to change your vote, simply select the correct choice. If you wish to "cancel" your vote, select the "cancel" button. You will be able to do this at any time whilst the poll remains open and before the Chair announces its closure.

Questions

Shareholders attending electronically may ask questions by typing and submitting their question in writing. Select the messaging icon from within the navigation bar and type your question at the bottom of the screen. To submit your question, click on the arrow icon to the right of the text box.

Requirements

An active internet connection is required at all times in order to allow you to cast your vote when the poll opens, submit questions and listen to the audiocast. It is the user's responsibility to ensure you remain connected for the duration of the meeting.

Duly appointed proxies and corporate representatives

Following receipt of a valid appointment, please contact the Company's registrar before 11.00 am on Thursday, 1 April 2021 on 0370 707 1129 or +44 370 707 1129 if you are calling from outside the UK for your SRN and PIN. Lines are open 8:30am to 5:30pm Monday to Friday (excluding public holidays in England & Wales).

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