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LawDebenture

ANNUAL REPORT

2021

The Law Debenture Corporation p.l.c.

LawDebenture

Law Debenture is an investment trust and a leading provider of independent professional services, listed on the London Stock Exchange.

The Law Debenture Corporation p.l.c.: AIC Investment Trust Awards, UK Equity Income Sector Winner 2021.

2021 Winner: UK Equity Income Sector Investment Trust of the year

INVESTMENT WEEK
INVESTMENT COMPANY OF THE YEAR AWARDS 2021
In association with
aic
The Association of Investment Companies
UK Equity Income Sector
Investment Trust of the Year

For more information visit our website:

https://www.lawdebenture.com/investment-trust

Law Debenture: has a highly differentiated and unique business model

Investment Portfolio

c. 82% of NAV

including IPS and long-term borrowings at fair value [1]

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 0.50%[2] compared to industry average of 1.05%[3]
- 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. 18% of NAV

including IPS and long-term borrowings at fair value [1]

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, Cayman Islands and Channel Islands

All divisions have potential for further revenue growth in growing markets. This growth will be achieved by increasing our market share through better leveraging of technology, our strong relationships and our high quality brand.

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

1 Please refer to page 134 for an explanation of net asset value with debt and IPS at fair value.
2 Calculated based on data held by Law Debenture for the year ended 31 December 2021.
3 Source: Association of Investment Companies (AIC) industry average as at 31 December 2021.

Financial summary

	31 December 2021 £000	31 December 2020 £000	Change
Net Asset Value – including debt and IPS at fair value[1]	964,493	787,219	22.5%
Total Net Assets per the balance sheet	878,837	726,994	20.9%
	Pence	Pence	
Net Asset Value (NAV) per share at fair value[1]*	787.83	666.15	18.3%
Revenue return per share			
Investment portfolio	18.09	12.12	49.3%
Independent professional services	10.00	9.35	7.0%
Group charges	–	0.09	n/a
Group revenue return per share	28.09	21.56	30.3%
Capital (loss)/return per share	94.60	(19.06)	596.2%
Dividends per share	29.00	27.50	5.5%
Share price	799	690	15.8%
	%	%	
Ongoing charges[3]*	0.50%	0.55%	
Gearing[3]	13%	9%	
Premium/(Discount)*	1.4%	3.6%	

Performance

	1 year %	3 years %	5 years %	10 years %
NAV total return[2]* (with debt at par)	23.1	49.3	59.7	199.2
NAV total return[2]* (with debt at fair value)	25.1	47.3	59.4	187.7
FTSE Actuaries All-Share Index Total Return[4]	18.3	27.2	30.2	110.7
Share price total return[4]*	19.2	67.6	81.2	237.0
Change in Retail Price Index[5]	7.5	11.2	18.9	32.7

* Items marked "*" are considered to be alternative performance measures and are described in more detail on page 134.

1 Please refer to page 36 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 Ongoing charges are calculated based on AIC guidance, using the administrative costs of the investment trust and include the Janus Henderson Investors' management fee, charged at the annual rate of 0.30% of the NAV. There is no performance related element to the fee. Gearing is described in the strategic report on page 33 and in our alternative performance measures on page 134.

4 Source: Refinitiv.

5 Source: Office for National Statistics.

Key statistics

for the year ended 31 December 2021

787.8p

NAV per share
– including debt and IPS at fair value

(2020: 666.2p)

Net asset value per share based on the balance sheet 717.9p (2020: 615.2p)

£964.5m[1]

Net Asset Value
– including debt and IPS at fair value

(2020: £787.2m)

Net asset value per balance sheet £878.8m (2020: £726.9m)

32.4%[2]

Growth in fair valuation of IPS

(2020: 18.3%)

30.3%

Growth in earnings per share

(2020: 9.5%)

18.3%

FTSE Actuaries All-Share Index benchmark 2021 Total Return

(2020: -9.8%)

25.1%

NAV total return for the year (with debt at fair value)

(2020: 2.0%)

5.5%

Proposed increase in 2021 dividend per share

(2020: 5.8%)

15.8%

Increase in share price in 2021

(2020: 6.2%)

A significant long-term out-performer

1 Please refer to page 36 for calculation of net asset value.
2 Increase in annual valuation of Independent Professional Services business, excluding change in surplus net assets.

Law Debenture's investment proposition

A proud history

133 years of value creation for shareholders

Strength and diversity of income

Flexibility and valuation uplift from IPS + consistent portfolio outperformance

Consistent dividend growth

43 years of increasing or maintaining dividends to shareholders (104% increase in dividend over the last ten years)

8.0% CAGR of dividend over the last 10 years

5.5% increase in 2021 DPS

42% of total 2021 dividend funded by our Independent Professional Services business

IPS enables greater flexibility in portfolio holdings

IPS accounts for c.18% of the 2021 NAV but has funded 36% of dividends over the last 10 years

Investment Portfolio: drivers of long-term outperformance

- Ability to hold zero/low dividend yield shares (eg; Ceres, ITM, Herald)
- Ability to avoid high dividend yield industries in structural decline (e.g. BAT)
- Ability to invest flexibly overseas (e.g. Microsoft)

Proven record delivering consistent long and short-term share price outperformance

Outperformance of our benchmark, the FTSE Actuaries All-Share Index, by 126.3% over ten years (51.0% over five years and 40.4% over three years)

Low ongoing charges ratio of 0.50% compared to industry average of 1.05%

IPS has a proven record of growth under the management team

CAGR of 11.3% for revenue and 8.5% for EPS over last four years[1]

Ambition to grow profits of IPS by mid to high single percentage growth

IPS valuation has increased by 115% between 2017 and 2021 to £166m[2]

UK weighting (82% portfolio) has potential to outperform

UK has lagged global stock markets

Around half of earnings of the FTSE 100 come from outside the UK

Significant UK valuation discount has attracted significant M&A activity

1 Includes acquisition of the Company Secretarial Services business from Eversheds Sutherland (International) LLP in 2021.
2 Increase in annual valuation of Independent Professional Services business, excluding change in surplus net assets.

Providing real value with a combination of prudent decisions and responsive services

LawDebenture

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Chairman's statement

In an exciting and eventful year, Law Debenture has shown good progress against its investment objectives and I am delighted to introduce our 2021 Annual Report.

Performance

Whilst 2021 presented further global economic uncertainty and lockdown-induced interruption, Law Debenture remained committed to delivering on its objective to produce long-term capital growth and steadily increasing income for our shareholders.

Our benchmark, the FTSE Actuaries All-Share Index, delivered a 18.3% total return, and we are pleased that the Company's share price total return marginally outperformed this with a total return of 19.2% for 2021. Additionally, the Company delivered a NAV[1] total return (with debt at fair value) of 25.1%. These achievements were anchored by the quality of our diversified equity portfolio and growing IPS business.

Long-term outperformance remains the Board's priority. Our investment managers have a strong record of share price outperformance compared to the benchmark of the FTSE Actuaries All-Share, outperforming by 40.4% over three years, 51.0% over five years and by 126.3% over ten years. We were pleased to see our performance recognised at the Investment Week Investment Company of the Year Awards 2021 where we won UK Equity Income Sector Investment Trust of the Year.

Dividend

In 2020, the market experienced unprecedented dividend cuts and cancellations from listed companies. Although there has been a marked improvement in the last 12 months, the residual effect of the pandemic will likely affect dividend payments for the next several years.

Given our investment objective, one of our top priorities is to gradually increase income by increasing dividend payments. It is with great pride that Law Debenture is now in its 43rd year of maintaining or increasing its dividend payments. This record is supported by the diversified nature of IPS revenues, which have funded roughly 36% of dividends over the last 10 years.

Subject to your approval, we propose paying a final dividend of 8.375 pence per ordinary share. The dividend will be paid on 14 April 2022 to holders on the register on the record date of 11 March 2022. This will provide shareholders with a total dividend of 29.00 pence per share for 2021, an increase of 5.5% compared with 2020. This represents a dividend yield of 3.7% based on our share price of 783 pence on 23 February 2022.

Capital structure

During the year, the Board decided to issue equity, initially to refinance the £20m acquisition of the Company Secretarial Services (CSS) business from Eversheds Sutherland (International) LLP in 2021. Shares were issued if they were trading at a premium to net asset value, and so be accretive to existing shareholders. Demand for the Company's shares was encouraging and led to the issue of a total of ~4.5m new shares during the year, resulting in net proceeds received by the Company of ~£32.9m.

Having reviewed the capital structure of the Group, the Board decided to issue two tranches of long-term debt, £20m at 2.54% which matures in 2041, and £30m at 2.53%, maturing in 2050. The debt has provided further opportunities for our Investment Managers to be net investors in the market, along with providing optionality to consider further inorganic growth for IPS, should the right opportunity present itself.

Our investment portfolio

Our investment managers, James Henderson and Laura Foll have continued to invest in high-quality companies at attractive valuations, which offer good total return opportunities. IPS earnings continue to support our dividend payments, allowing James and Laura flexibility in portfolio construction.

The investment managers' review on pages 18 to 20 offers further commentary on the portfolio performance.

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 returns are shown with debt measured at par and with debt measured at fair value on page 2.

Chairman's statement continued

IPS

The IPS business remains a key differentiator between us and other UK income funds.

Over the course of 2021, IPS grew its net revenues by 20.6%, with profit before tax up 9.1% and earnings per share up 7.0% compared to 2020. The material increase in revenue was driven primarily by the acquisition of CSS. CSS enhances our capabilities and growth opportunities in an attractive market.

We continue to pursue a consistent strategy of developing IPS through a combination of organic growth, operational improvements and potential acquisitions that meet Law Debenture's strict financial and strategic criteria.

2021 continued to test Law Debenture's employees, I am proud of the inspiring efforts of the IPS teams. They have responded with determination, helping clients in innovative ways, and have successfully opened a new office in Manchester.

Environmental, Social and Governance (ESG) considerations

Sustainability and climate change is one of the biggest economic and political challenges the world faces. The Board continues to view ESG as part of Law Debenture's operations. Strong governance, transparency and accountability underpin our approach across all areas of the IPS business and investment portfolio.

Within IPS, our core asset is our people. Throughout the year, we have prioritised the well-being of our colleagues and it is pleasing to see that Law Debenture's employee engagement survey showed our staff are empowered, would recommend Law Debenture as a place to work and have a real sense of pride about the services they offer clients.

We want to maximise positive outcomes by embedding sustainability in our culture and our operations and seeking to reduce our impact on the environment. During the pandemic, we moved into a new office which is rated BREEAM (Building Research Establishment's Environmental Assessment Method) excellent for its significant green components.

Our investment managers take positions in companies with long-term sustainable business models. While James and Laura will not exclude companies that can help Law Debenture to meet its income and capital growth investment objectives, they carefully take into account ESG-risks and opportunities when selecting stocks. Our investment managers' approach to ESG is described on page 48.

Governance

Robert Laing retired from the Board at the close of the Annual General Meeting (AGM) in April 2021. On behalf of my fellow Board members, I would like to thank Robert for his nine years of wise counsel and wish him the very best for the future.

Mark Bridgeman will also retire from the Board at the close of the 2022 AGM having served a tenure of nine years. We also thank him for his invaluable contributions over the years and wish him the best for the next chapter of his career.

During the year, we welcomed two new Non-Executive Directors to the Board of Law Debenture. Clare Askem was appointed to the Board on 10 June 2021 and Clare brings extensive experience in strategic development, business change and digital transformation. Clare will succeed Mark as designated Non-Executive Director for Workforce Engagement, following his retirement at the close of the 2022 AGM.

We also welcomed Pars Purewal on 16 December 2021. Pars has exceptional experience in accounting, investment trusts and professional services. Pars will succeed Mark as Audit and Risk Committee Chair, following his retirement.

> Law Debenture is a rare proposition: an investment trust supported by a wholly owned professional services business. The whole is greater than the sum of these parts, providing both a natural hedge to market volatility

We are pleased to have ranked second in the FTSE 250 for Women on the Board and in Leadership roles, in the recently published FTSE Women Leaders Review.

Looking ahead, the Board will continue to ensure its membership is diverse in backgrounds, executive experience and perspectives.

We will keep shareholders updated on arrangements to hold a hybrid AGM this year and other investor events through our website.

Looking forward

While the outlook for the pandemic for 2022 is more hopeful, it will continue to affect economies and monetary policies around the globe. However, the Board and our investment managers remain confident that the portfolio is well-placed for long-term outperformance.

Work has begun on two other key initiatives: i) expanding our retail shareholder base and ii) articulating our approach to Environmental, Social and Governance matters. This is a complex area which requires us to balance the needs of our shareholders, clients, employees and the wider community. We look forward to sharing progress with shareholders as our work evolves.

IPS remains well-positioned to continue delivering a resilient financial performance and capturing the growth potential in its markets.

Finally, I would like to thank our shareholders for their continuing support, and our investment managers and Executive team for their hard work. I have been truly impressed by Law Debenture's response to the pandemic.

Robert Hingley
Chairman of the Board
24 February 2022

Chief Executive Officer's review

Introduction

2021 was a year of recovery blended with significant volatility. It saw companies around the world attempt to bounce back from the shocks of 2020, while adapting their business models to the "new normal". For the UK, the economy registered strong GDP growth, albeit against a very weak 2020, but trends across sectors varied significantly. In the first quarter of 2021, the UK entered a third lockdown and we all had to contend with ongoing Covid-19 related disruptions to the economy. Our good performance through the year reflects well on the Group's ability to adapt to a changeable economic climate and navigate short-term periods of turbulence. Law Debenture delivered on both of its objectives; producing long-term capital growth and steadily increasing income for our shareholders. Our investment managers, James Henderson and Laura Foll of Janus Henderson Investors, have continued their successful long-term record of material outperformance against our benchmark, the FTSE Actuaries All Share Index, over one, three, five and ten years. Our IPS business completed its fourth consecutive year of growth, with net revenue up 20.6% and profit before tax up 9.1%, while retaining its reputation for quality and outstanding client outcomes. Consistent growth is our longer-term objective and IPS now has a good record to build on. We have continued to invest in our people to ensure we have strong foundations for continuing success. I would like to thank our staff for their continued hard work and focus on delivering good outcomes for our clients.

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 dividend payments over time. This year showed how the unique combination of our equity portfolio and global professional services business can drive value. I was delighted to see Law Debenture's strong and attractive attributes recognised as Investment Week's 2021 Investment Company of the Year in the UK Equity Income sector.

We are proud to have delivered a 104% increase in dividend over the last ten years with 43 years of increasing or maintaining dividends to shareholders. This is supported by the diversified nature of IPS, which has funded around 36% of dividends for the trust over the past 10 years. IPS business net revenues for the full year were up 20.6% at £41.6m (2020: £34.5m) and earnings per share up by 7.0% to 10.0p (2020: 9.35p). We are committed to grow the profits of our IPS business by mid to high single percentage growth. In early 2021, we acquired CSS, which strengthens our existing business and its longer-term earnings outlook. We believe that the significant increase in our CSS market footprint is of strategic importance to the growth of IPS. The business has expanded our client reach and creates new opportunities to cross-sell our other services. With continued investment into our operating infrastructure and talent to support future growth, I am encouraged by our 2021 performance.

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

Our unique proposition as an investment trust is that the IPS business allows James and Laura increased flexibility in their portfolio construction. This was again highlighted in 2021. The strength of our diversified income streams allowed us to invest into some emerging companies with excellent long-term growth prospects, which may not pay dividends for many years.

Corporate trust

Law Debenture has been a bond trustee for over 133 years. The role of a bond trustee is to act as a bridge between the issuer of a bond and the individual bondholders. Our responsibilities can vary whether servicing performing or defaulted bond issues.

Normal duties for the bond trustee to support performing issues could include receipt of financial or other covenant-related information, together with the distribution of such information to bondholders. For this work, we are typically paid an annual fee throughout the lifetime of the bond. For the majority of our

Chief Executive Officer's review continued

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

DIVISION	Net revenue 2019 £000	Net revenue 2020 £000	Net revenue 2021 £000	Growth 2020/2021 %
Corporate trust	9,024	10,788	9,771	(9.4)
Pensions	10,598	11,479	13,060	13.8
Corporate services	12,167	12,226	18,755	53.4
Total	31,789	34,493	41,586*	20.6

*Total net revenue is calculated by reducing segment income of £49,513k by cost of sales of £7,927k.
Corporate services: 2021 includes additional revenue arising from the acquisition of the CSS business from Eversheds Sutherland (International) LLP.

existing book of business, these annual fees are inflation-linked. When an amendment to bond documentation is required, we can also earn additional revenues to complete the necessary changes.

When bonds default, the workflow, risk, and revenue profiles of our role change. A key duty of the bond trustee is to be the legal creditor of the issuer on behalf of the bondholders. Our role in such default situations requires incremental work that, given a favourable outcome, can lead to significant additional income. That said, defaults often take years to play out and the results are uncertain. Given this, our revenues for this work in any particular year can be somewhat unpredictable. However, such post-issuance work has strong economic counter-cyclicality and has produced sound returns for our shareholders over time.

Market dynamics

Following a strong year for primary debt issuance in Europe in 2020 where debt issuance revenues were up by 21% *(Source: Dealogic)* primary market debt issuance revenues for 2021 were up just 1% *(Source: Dealogic)*.

Headwinds in primary issuance were compounded by a significantly tougher market than we might have expected for post issuance work. As we mentioned at the half year, a bi-product of the unprecedented financial support offered to corporates around the world by central governments has been a significant reduction in the number of bankruptcies. November 2021 was the first month since the onset of the pandemic in March 2020 that the number of bankruptcies in the UK was higher than pre-pandemic levels. The full year numbers showed bankruptcies at 14,056 compared to 17,198 in 2019 *(Source: The Insolvency Service)*.

The bankruptcy experience of the UK over the past two years is mirrored by many major developed economies. We would expect bankruptcies to return to more normal levels as temporary support measures from central governments are removed and demand for our post-issuance expertise to increase correspondingly.

Highlights

The business achieved exceptional net revenue growth of 19.5% in 2020. With market conditions as previously described, delivering revenue growth in 2021 was going to be a challenge. Reporting a 9.4% decrease in revenues to £9.8m is never something a business leader wants to do; however, this is not reflective of the longer-term business performance. In the past four years, since Eliot Solarz was appointed to lead the business, corporate trust has achieved compound revenue growth of 5.5% per annum.

Despite tough primary market conditions, we competed well. During the year, we have been delighted to have been appointed to support blue chip issuers including BT and Natwest in the UK, Santander and Gamenet in Europe, Nippon Steel in Asia and Oi Movel in South America.

The issuance of green, social, sustainable and sustainability-linked bonds continue to grow rapidly. Regulators are working hard to create alignment on an appropriate taxonomy and we expect final rules of the EU Green Bond Standard to take shape via the legislative process in 2022. In the UK, the FCA is seeking input on whether it should recognise existing ICMA Principles or develop its own UK green bond standard. The European Commission's debut next generation EU green bonds and the UK Government's debut of green gilts issuances were both significant landmarks in 2021.

These types of financing have strong momentum and it is critical that we continue to develop our expertise in support of them. Sustainability-linked bonds typically have a coupon step-up linked to the issuer meeting pre-defined targets in relation to certain key performance indicators, often related to CO_2 reduction. During the year, we have been appointed to roles supporting sustainability linked note issuances including Cullinan Luxembourg and Rimini Italy. We also were appointed to support Hanetf's Carbon Securities program and Lithuanian Emerald's issuance to develop wind farms.

Chief Executive Officer's review continued

We have previously highlighted the work that we do to support social housing issuers in the UK. The market is large, demand for additional properties is vast and politicians of all parties are looking to increase support for the sector. We continue to build on our excellent footprint in this growing sector. Appointments for new issuances in 2021 include Gateway, Scottish Boarders and Metropolitan Thames Valley.

In last year's Annual Report, we explained the increasing demand that we are seeing for our escrow products. We continued to build on this in 2021. Our competitive strengths include our deep domain expertise and ability to move fast. Among the more unusual escrow activity in 2021, there were transactions relating to the acquisition of aircraft landing slots and avoiding trapped surpluses in corporate pension funds.

Outlook for our corporate trust business

Levels of primary market activity are difficult to predict; growth in European primary debt issuance revenues in the past three years illustrate this well at -14%, +21% and +1% respectively, *(source: Dealogic)*. Our post-issuance work is equally difficult to predict but historically has had a strong economic counter-cyclicality. Over time, this business has produced excellent returns to our shareholders. Large elements of our revenue base are contractually repetitive and large elements are inflation linked. Following a decade of very low inflation, the recent increases in inflation will begin to filter through during 2022.

We continue to increase our range of products and have broad relationships with clients, law firms and financial institutions that underpin activity in this market. We have every confidence that over time we can continue to grow this business within our stated target range for the overall business of mid to high single percentage growth.

Case study: Lloyds Bank Pension Schemes

Our Pension Trustees have been involved in the successful completion of the £5.5bn longevity swap for the Lloyds Bank Pension Schemes No.1 with Scottish Widows Limited and SCOR.

This is the second longevity swap transaction that Lloyds Banking Group Pension Trustees Limited (the Trustee) has entered into in the last two years protecting some £15.5bn of longevity risk.

Vicky Paramour, Managing Director of the LawDeb Pension team and chair of the Trustee's Investment and Funding Committee said *"Working with my colleagues on the Trustee Board, the Lloyds Bank Trustee Executive and our advisors, this represents a great achievement in reducing the Scheme's exposure to longevity risk thereby and making the Scheme more secure to the benefit of all members."*

Pensions

We are now in our sixth decade of serving clients in this sector and we are one of the largest independent providers of pension trustees in the UK. Our Pegasus offering of outsourced pensions executive solutions is now a leading provider in the UK in a fast-growing market.

Market dynamics

With assets of approx. £2.6 trillion *(Source: WTW)* the UK is the world's third largest pensions market and there is significant momentum to drive the professionalisation of the governance of pension schemes in the UK.

The ability of a board of trustees to positively alter the retirement outcomes for its pensioners is well understood and the UK Pensions Regulator ("the Regulator") is, rightly, increasing its demands of trustees, along with its expectations of governance standards. The Pensions Scheme Act of 2021 introduces new duties for those involved in running pension schemes. New guidance on procedures for dealing with transfer requests comes into effect to help scheme members avoid pensions scams. The Regulator also held a consultation on new enforcement policies that include new powers to impose high fines for malfeasance.

Managing a pension scheme is a serious, ever more complex task. Some pension's governance recruiters still do not place sufficient weight on the need for specialist skills or knowledge. At Law Debenture, we appreciate that the sub-optimal management of people's hard earned retirement monies has serious consequences. All our pension trustees are experienced professionals and hold accreditation from the Association of Professional Pension Trustees.

Highlights

Back in 2001, an excellent decision was taken to hire Mark Ashworth, who in turn recruited Michael Chatterton in 2010. However, a number of years ago, Mark Ashworth and Michael Chatterton indicated their desire to step back from their leadership positions during 2021. They are leaders in their field and, as leaders of our business, they grew the business consistently. Over the past five years, revenue has grown from £7.8m in 2016 to £13.2m last year.

Another strength of theirs was identifying talented individuals. With Mark stepping down in January 2021 and Michael doing the same at the end of the year, as of 1 January 2022, Vicky Paramour has been promoted to lead our pensions business. Vicky Paramour joined us in 2015, amongst a number of extremely capable hires. We are fortunate that Mark and Michael remain with us as Senior Directors. The orderly transition is testament to the superb way that Mark and Michael have run the business. I would like to take this opportunity to thank them both for their commitment to our business.

2021 was another strong year for our pensions business with growth in net revenues of 13.8%. Over the past four years, compound revenue growth is 12.1%. In our core pension trustee

Chief Executive Officer's review continued

business, we were delighted to add incremental appointments that included HSBC and Tesco.

We recognise that revenue growth is driven by investing in good people. During the year, we made further appointments in legal and restructuring expertise, and we believe this will continue to be a growth area for us. We also invested in regional and international talent. In Manchester, we hired our first pensions employees to service a large pool of potential clients based in this area. We also made our first appointment in Ireland, with Paul Torsney joining during the first half of the year to develop our Dublin-based pensions offering. We see increasing opportunities in the Irish market from both local and international companies. We have recently been appointed to work with the Workers Master Trust, our first appointment for an entity based in Northern Ireland.

During the year, we were delighted to welcome Sankar Mahalingham to lead Pegasus, our executive pensions offering. This offers pension scheme secretarial services, at its simplest, right through to fully outsourced pensions management and professional sole trustee solutions at its most complex. From a standing start at the end of 2017, this business now has revenues of approx. £3m per annum. We have a broad product range and client base and we see increasing demand for our expertise to independently support projects such as GMP equalisation and de-risking. We also continue to invest in hiring professionals with buy-in, buy-out and wind-down experience which is of high value to a growing number of schemes.

A win-win for pension scheme members and the sponsor achieved through a buy-in transaction

The five years since JTI appointed us as its first independent professional trustee have been quite a journey for the Company and the trustee. Full outsourcing of pensions management and administration, the transfer of defined contribution pensions to the L&G master trust and a full buy-in of the defined benefit pensions scheme.

Our trustee director Robert Thomas led the trustees in their strategic thinking – concluding that insuring the liabilities through a buy-in would be in members' and ultimately JTI's interests. Company management came to see the benefits of this approach which would remove significant risks and have other potential benefits. We took time to explore the details and developed a shared plan, resolving tricky areas like the use of any surplus and exercise of various powers. The completion of a full buy-in with Standard Life in late 2021 included greatly improved inflation protection for pensioners which they are already benefitting from as well as significant up-side for the company. Marina Sletten Corporate Controller, VP of JTI commented *"it is great that the deal was such a win-win for all parties"*.

Having started out with one director in a fairly straightforward chair role, a team of up to five LawDeb colleagues was involved in driving the projects to a conclusion on aggressive time-scales. This included marshalling the advisory team, liaising with the company and project management – roles that an in-house pensions team would often undertake. One of our pensions management experts worked with the administrator, the actuary and the insurer on data and benefit matters. Involving one of our trustee directors with a specialist legal background helped cut through and resolve the many challenges that are inevitably thrown up by a transaction of this complexity, enabling it to complete on schedule.

Outlook

The increasing governance burden for UK pension schemes means that there are more opportunities for providing independent professional support to schemes of all sizes. For example:

- The Pensions Act 2021 contains more powers for the Regulator which introduces new duties for those sponsoring and running pension schemes
- Schemes moving towards full de-risking solutions
- Trustees face new reporting requirements intended to improve the quality of governance and reporting as they address climate-related risks and opportunities.

At the same time, sponsors of pension schemes are finding it harder to find volunteers to become trustees as well as desiring a focused business-to-business conversation with their trustee board - this is true whatever the size and complexity of the scheme.

We see opportunities for working with new clients who will be appointing their first ever professional trustee as well as other schemes who will be looking to add further professional expertise to their existing board. Working with schemes of all sizes as the pensions landscape evolves, we are well placed to provide value to smaller schemes leveraging insights from our wider portfolio for their benefit.

Many sponsors of pension schemes will also be facing resourcing issues, for example:

- If in-house administration is outsourced for the first time
- Succession planning as pension managers and their teams are due to retire
- Increased governance requirements putting stress on under-resourced teams.

Rather than continue to operate with full in-house teams, an increasing number will look to outsource all or part of their function to third parties. This provides opportunities for Pegasus to grow substantially by taking on these large, outsourced mandates.

Chief Executive Officer's review continued

We believe that the market for our expanding range of pension governance services will continue to increase steadily over time. We continue to invest in the people and skills required to be a market leader in this growth business.

Corporate services

This revenue stream has four constituents: structured finance services, our whistleblowing division Safecall, service of process and our company secretarial services (CSS) business. Pleasingly, all businesses grew revenues during the year, but the combined result of revenues up 53.4% was skewed by the acquisition of CSS on 29 January 2021.

Company Secretarial Services
Market dynamics

Corporate governance standards are being raised worldwide and statutory and regulatory obligations continue to increase. Commerce is becoming increasingly globalised and the ability to move fast and expand geographically is often critical to success. Outsourcing growth trends have arguably been accelerated by the pandemic. CFOs are forced to examine their cost base and look to allocate capital towards activities that will differentiate their company's offering. Large in-house company secretarial departments are decreasing in number. We have been offering solutions in this sector for over twenty years. The newly acquired business gives us critical mass and we are confident of our ability to increase our share of a growing market.

Within CSS, we provide three main service lines:

Managed services: Based out of our new Manchester office, we deliver global entity management services to over 350 clients. We act as a single point of contact to ensure that legal entities of international subsidiaries are kept in good standing. Client appointments vary in scale and coverage, ranging from a single legal entity in one country at its simplest to over 300 subsidiaries in 50 countries at its most complex. We are paid a fixed annual fee to deliver annual compliance and corporate records maintenance. We may also earn incremental revenues from additional projects, such as incorporations and dissolutions, the co-ordination of global corporate change projects and performing entity validation work. Excellent workflow management and use of technology is critical to compete effectively. We will continue to invest in this space in 2022.

Corporate governance services: we provide all aspects of board and committee support, from full outsourced company secretarial support to attending and minuting meetings, in line with best practice governance standards. We also offer practical company secretarial services to companies preparing for an IPO transaction including support post listing. Our clients range from major Main Market and AIM listed companies, including investment trusts to leading UK operating subsidiaries of top global brands. Our fees vary between fixed annual fees for specifically scoped mandates but can also be time or project based. Demand here is often for skilled professionals with prior experience in a particular industry and/or governance framework who can seamlessly transition work from being completed in-house. This team is based in London.

Interim resourcing: We offer immediate access to qualified governance professionals whether on-site or remote, full time or part time, as required by the client. Typically, we are paid on a time spent basis, but may complete certain work on a fixed fee basis.

Case study: International FTSE 250 listed company – Fully outsourced company secretarial support

International power generation business, with a market capitalization of over $ 1bn, listed on the London Stock Exchange and a constituent of the FTSE 250 Index, decided to outsource the company secretarial function to a professional services team.

LawDeb's Public Company Governance team, a specialized team within the Company Secretarial Services division, provides today the full company secretarial support. This includes full Board and Committee support, from attendance to governance advisory, managing the annual report and accounts process, keeping the company abreast of listed rules and regulations, to the annual compliance.

Company secretarial services
Highlights

Client retention since acquisition has been excellent, with 99% of the client base transitioning with the acquired business to Law Debenture. It is pleasing that there have been a number of new client wins, including several FTSE 100 and Fortune 500 groups on the managed service side and FTSE 250 groups and regulated challenger banks on the corporate governance services side. We have also won several mandates for private groups on the journey to IPO.

As with all of our businesses, the quality of our people will determine our long-term success. We have invested in headcount and incremental skills across all our product areas and will continue to do so.

Whistleblowing: Safecall
Market dynamics

The emerging regulatory frameworks and standards that we have highlighted in previous annual reports continue to build momentum throughout the developed world. Whistleblowing has come of age. A well-run whistleblowing framework is now part of good governance. Excitingly for us, this is not limited to corporates. As many high-profile news stories in 2021 underline, wider society has a need to improve standards in a plethora of areas including sports, charities and the public sector.

Chief Executive Officer's review continued

> We are proud to have delivered a 104% increase in dividend payments over the last ten years with 43 years of increasing or maintaining dividends.

Whistleblowing: Safecall Highlights

We provided a record number of reports to our clients in 2021, up 25% on 2020. Feedback from our clients shows an increasing appreciation for the value that we can bring to their organisations. Graham Long took the decision to stand down as CEO of Safecall and we were delighted to welcome the new leader of the business, Joanna Lewis, at the end of August 2021. With the country in another national lockdown, it was a slow start to the year, but our sales gained momentum as the year went on and ended with 149 new clients, including Savills, DPD, Barnados and DLA Piper. We ended the year with revenues up and, as we fully emerge from Covid-19, we believe that we can accelerate our growth. We have invested in our sales, account management and marketing efforts and are increasingly providing training as clients look to improve the quality of their responses to the increasing number of issues requiring their attention.

The amount of incoming business through digital channels continues to grow. Critical to our future success will be the quality of our digital offering. We will increase our investment to continue to meet the evolving needs of our clients.

Structured finance services Market dynamics

This business provides accounting and administrative services to special purpose vehicles (SPVs). Typical clients include financial institutions that wish to gain risk exposure to a particular asset type - for example aircraft leases or mortgages. These clients regularly access third party outsource providers to help them with the servicing of the assets. Boutique asset managers (private equity and hedge funds), as well as challenger banks, are typical buyers in a growing sector.

The competitive landscape is dominated by the larger providers with long-established relationships. We are a small player and receive strong praise from our clients. Our challenge is to achieve the critical mass necessary to accelerate our growth.

Structured finance services Highlights

We were delighted to receive appointments from market-leading names, including Carlyle, Avenue, Pepper, One William Street and LendInvest. Particularly pleasing was a transaction that was a long time in the making where we supported a deal for Reinsurance Group of America. This structure uses the risk transfer capability of capital markets and applies it to the insurance sector. The US capital markets are widely used by the insurance sector for risk transfer purposes. It is yet to be seen if Europe will adopt similar practices, but it can only help to get experience at an early stage in the market's development.

We added incremental business development resource to our efforts here in 2021 and will do so again in 2022.

Service of process Market dynamics

This is our highest volume business, and its results are closely correlated with the economic cycle. Unsurprisingly, as the pandemic took hold, 2020 was a particularly difficult year for this business.

Service of process Highlights

As we started out in 2021, our year-on-year comparators remained equally unfavourable. The first two months of 2020 (pre-pandemic) were strong whereas in the UK we entered 2021 with our second full lock down from January 4th until March 9th at which point children were allowed to return to school. Thankfully, global economic conditions improved throughout the remainder of the year, and we finished the year with our revenues up.

Anne Hills continues to lead our efforts. A new technology platform was added to help build further scale to the business and we added headcount that is increasingly client focused as we look to be more proactive with our business development initiatives.

Outlook for our corporate services business

Following a difficult year in 2020, we are pleased to have grown revenues in all the four businesses that make up our corporate services reporting segment in 2021. Our CSS offering has been transformed. Our whistleblowing business continues to build momentum under a refreshed leadership. Our structured finance services business has added to its high-quality roster of clients. Our service of process business has yet again demonstrated its durability. Demand for our products and services is strong and the markets in which we operate are growing.

Central functions

After four years of compound growth of 8.2% in profit before tax*, we recognise that, in order to continue to grow our business, we need to ensure that we have an infrastructure that supports this.

* Excludes exceptional item in 2017 for gain on unlisted investment of £3.275m.

Chief Executive Officer's review continued

With Trish Houston joining us as COO towards the end of 2020, we have made significant progress.

Our people are the biggest asset of our IPS business. Ensuring that we provide an exciting place to work, where people can grow their careers is pivotal to our future success. During the year, we have engaged with our people to articulate our values and culture. The impact of this piece of work has been to unite people across our business lines and our geographical regions to ensure we are continuously challenging ourselves to provide the very best outcomes for our clients. We have also invested in developing a career framework to support our people in their advancement, creating a pipeline of talented future leaders for our business.

The acquisition of CSS, which has an office in Manchester, presented us with an opportunity to look at the structure of our business. As a result of this review, we have established a shared services centre based in our Manchester office, which covers all aspects of operational finance. This creates a scalable platform to support both organic and inorganic growth across the business.

We have invested in business development support for each of our teams. During the year, we have been delighted to build stronger relationships with our existing clients as well as developing relationships with new or potential clients.

Technology

The ability of professional services firms to flourish will be increasingly defined by their commercial offerings' "ease of use". Being technically excellent and providing outstanding outcomes for clients, form an excellent foundation but, on their own, will no longer be enough. Firms like ours, and the products that we provide, must be easy to find, simple to engage with and straightforward to use.

We continue to invest in the people, skills and infrastructure required to deliver our professional expertise more efficiently and more effectively using virtual channels.

During 2021, we made further progress with our Safecall and service of process platforms, in particular. Given their relatively high transaction volumes, these two businesses lend themselves well to the effective use of technology.

The optimum technology platform for our clients and employees requires consistent review. We must ensure that we continue to invest in our working environment to provide our people with a stable and sustainable platform upon which to grow our business.

Prospects

Law Debenture has a differentiated and unique business model, which has served the Group well for many years, and I remain optimistic about our longer-term outlook. Over the last four years, we have shown an IPS compound annual growth rate (CAGR) of 11.3% and 8.5% respectively for revenue and earnings per share, which compares favourably with our mid to high single percentage growth objective. We are very focused on continuing to grow and develop the IPS business and increase market share by seeking to further capitalise on the significant market opportunities available through both organic investment and disciplined acquisitions, like CSS, where appropriate.

It is a source of great pride that the Group has outperformed our benchmark of the FTSE Actuary All Share Index consistently and by 77.0%, with debt and IPS at FV, over the last 10 years. I am very grateful that Law Debenture has been able to benefit from both James and Laura's expertise and experience. I am confident that their focus on selecting strong business models and attractive valuation opportunities, will enable them to continue to position the equity portfolio for future longer-term growth and outperformance. The fund has a selective, bottom-up approach.

On behalf of the Board, I would like to thank our employees for their outstanding commitment and our shareholders for their continued support. We also greatly value our close partnership with clients. Our business model and actions undertaken in the year mean that we are very well positioned to take advantage of growth opportunities in the future and to continue to deliver on our objective. We remain focussed on continuing our unbroken 43-year track record of maintaining or raising the dividend.

Denis Jackson
Chief Executive Officer
24 February 2022


Photo credit: Jason Hawkes

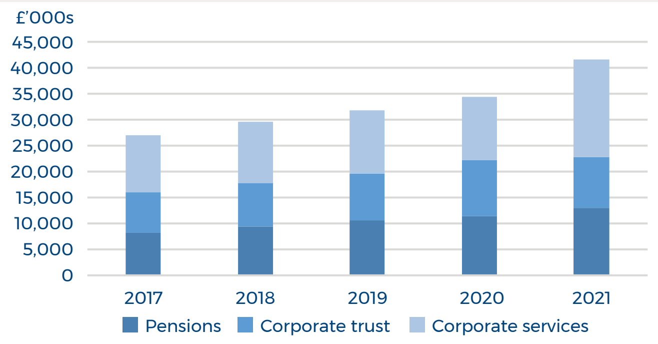
IPS 5 year performance at a glance

IPS net revenue and PBT – 5 year performance

Department	2017 £000	2018 £000	2019 £000	2020 £000	2021 £000	5yr Revenue Variance £000	5yr Revenue Variance %
Corporate trust	7,900	8,362	9,024	10,789	9,772	1,872	23.7%
Pensions	8,270	9,488	10,598	11,479	13,060	4,790	57.9%
Corporate services	10,977	11,734	12,167	12,226	18,755[1]	7,778	70.9%
Total IPS Income	27,147	29,584	31,789	34,494	41,586	14,439	53%
% Revenue Growth		9%	7%	9%	21%		
Profit before tax	9,717[2]	10,481	11,465	12,227	13,340	3,623	37%

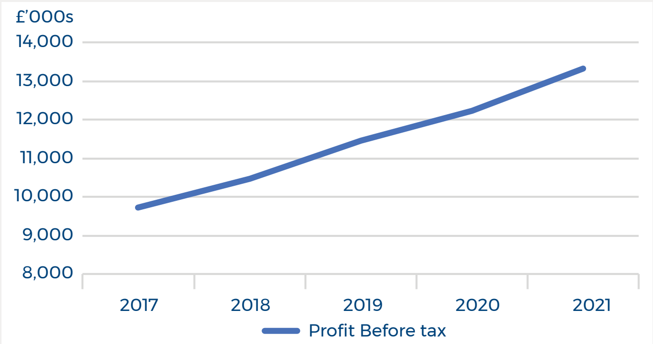
1 Includes revenue from the acquisition of the Company Secretarial Services business from Eversheds Sutherland (International) LLP.
2 Excludes exceptional item in 2017 for gain on unlisted investment of £3.275m.

5 YEAR IPS NET REVENUE



Source: Law Debenture as at 31 December 2021.

5 YEAR IPS PROFIT BEFORE TAX



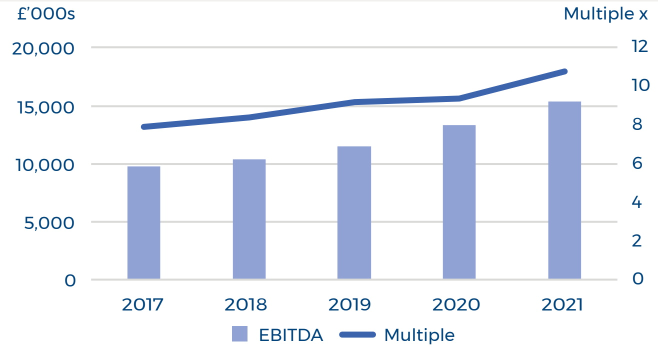
Source: Law Debenture as at 31 December 2021.

IPS Valuation

	31.12.2017 £000	31.12.2018 £000	31.12.2019 £000	31.12.2020 £000	31.12.2021 £000	5yr growth %
EBITDA	9,797	10,424	11,515	13,335	15,369	56.9%
Multiple	7.9	8.4	9.2	9.4	10.8	36.7%
IPS fair value (excluding net assets)	77,396	87,562	105,938	125,349	165,985	114.5%
NAV adjustment: total value less net assets already included	72,757	78,439	91,860	112,407	135,885	86.8%

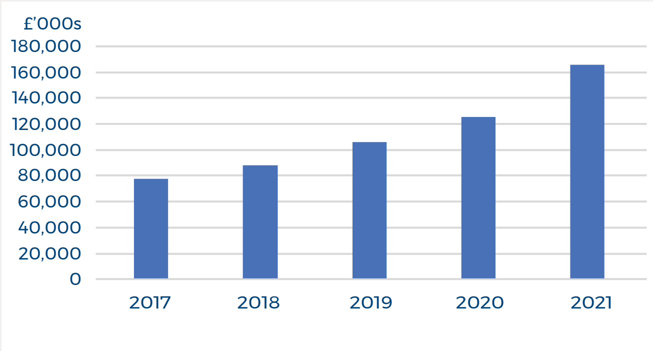
See page 36 for commentary on the IPS valuation.

IPS EBITDA & APPLIED MULTIPLE



Source: Law Debenture as at 31 December 2021.

TOTAL IPS FAIR VALUE (excluding net assets)



Source: Law Debenture as at 31 December 2021.

Photo credit: Catherine Palarca

Investment managers' review

The equity portfolio

The portfolio consists of a relatively long list of stocks (149 holdings at year end). The reason for this long list is the breadth of our investment universe: we invest in large, medium and small companies in the UK, as well as overseas if we see a distinct opportunity. 83% of the portfolio was in UK listed companies at year end, however in aggregate they derive well over half their earnings in overseas markets. It is this diversity within the portfolio that we hope will deliver a good level of consistency of performance in different market conditions. Over time, the smaller company element has produced better returns than the large companies. However, when valuations become stretched and there is a subsequent period of market weakness it will usually be in the small company area that the largest falls occur. Some smaller company holdings were reduced this year as the valuations looked demanding but we have also added some new positions, refreshing the overall portfolio.

The large company element was added to towards the end of 2020 when some bank positions were purchased, alongside some other financials. This has helped recent performance, as the belief is that interest rates will rise further from current modest levels, and this will act as a boost for some financial companies' earnings. It was the previous year's strongest performing area that was the biggest drag this year, with the alternative energy stocks experiencing share price falls. Reductions had been made during their rise for portfolio balance reasons as well as the view that the valuations had become too forward looking. We remain, however, committed to the area as there are real opportunities as the global economy transitions away from fossil fuels and towards renewables. Banks and alternative energy stocks are part of an overall blend that endeavours to provide balanced growth. The key is genuine diversity in the holdings.

> 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.

Our investment strategy

Active investment management that adds worthwhile value means having a view that is different from the consensus. It is what is different in the portfolio to others that will make the trust perform differently over time. It is unnecessary to have strong views about all aspects of the investment portfolio, but it is important where the manager has an insight about an investment that they make it count. We think that this can most consistently be done at a stock level rather than building portfolios around a single theme or a macroeconomic view. The reason is that there are less variables at the stock level than in macroeconomic analysis. Stocks can be under-researched by investors, which means their long-term value will be mispriced. Therefore, the approach used is to pay close attention to companies while being aware of what is happening in the wider economy.

There are several reasons why a company might be under-appreciated and therefore have a share price that does not reflect its long-term value. Investors may have a prejudice against the company for reasons that are no longer valid. The management may have remedied the historical problems. A company may have a management team that is putting the building blocks in place for long-term success but this has yet to be reflected in the reported numbers. These are the sort of factors that lead to opportunities for the active investment manager to acquire shares at levels that will, over time, enhance relative performance. Of course, changes in the economic background will always have a large effect on short-term returns and they need to be factored in when looking at individual companies. For example, at the moment, increasing supply-chain costs and general inflationary pressures mean it is very important, when analysing a prospective investment, to examine whether is has real pricing power. Can it increase the price it gets for goods or services given the onset of rising prices elsewhere? It is through paying attention to the companies that the question can be answered.

Investment managers' review continued

Alternative Performance Measures	1 year %	3 years %	5 years %	10 years %
NAV total return (with debt at par)[1]	23.1	49.3	59.7	199.2
NAV total return (with debt and IPS at fair value)[1]	25.1	47.3	59.4	187.7
FTSE Actuaries All-Share Index total return[2]	18.3	27.2	30.2	110.7

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, whereas NAV total return with debt at fair value includes the fair value adjustment (see page 134).

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.

Overview of 2021

The economic backdrop

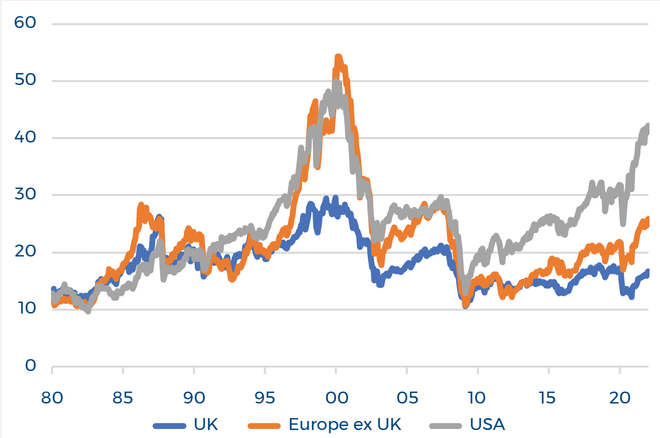
Following much debate in 2020 about what shape the economic recovery would take, in 2021 it became clear that a 'V-shaped' recovery was under way. The current expectation is that UK real GDP will have grown 7% in 2021, with particularly strong growth of above 5% in the second quarter as trading restrictions were eased. At the company level, this economic growth was felt in a fast restoration of demand, with many companies recovering pre-pandemic sales levels quicker than expected. This good demand environment came, however, at a time when supply remained constrained – many companies were struggling with Covid-19 related staff absences and broader difficulties in filling vacancies. At a global level, this 'inelastic' supply was also felt in commodities such as oil, where demand recovered but the supply response remained muted following a prolonged period of low capital investment. The result was price rises across a broad range of areas, as illustrated by UK CPI reaching over 5% in November.

This backdrop of a good economic recovery but rising inflation had a clear directional impact on sector performance during the year. Sectors where earnings benefit directly from rising commodity prices (basic materials and energy) performed well, as did sectors such as industrials that benefitted from a fast recovery in demand. Conversely, consumer-facing sectors (consumer staples and consumer services) underperformed the broader market, as it was perceived that there would, at the very least, be a time lag between these companies facing rising input costs and passing them on to the end consumer.

UK market backdrop

While 2021 was a good year in absolute terms for UK equities, from a relative perspective, the UK equity market continued to underperform the US, while performing approximately in line with Continental Europe. This meant there was no closure in the valuation gap that has built up between UK equities and their overseas peers (see valuation chart below). This valuation discount seems erroneous when it is considered that the majority of earnings from UK equities are derived from overseas. We would expect that, unless this discount materially reduces, 2022 is likely to see further widespread takeover offers for UK companies as buyers seek to take advantage of this arbitrage opportunity.

CYCLICALLY-ADJUSTED P/E OF THE UK VERSUS OTHER GLOBAL EQUITY MARKETS



Source: Citigroup as at 31 December 2021.

Income backdrop

2021 saw an excellent recovery in UK dividends. Investment income for the portfolio rose to £26.3m, a 45% rise from £18.1m in 2020 (for pre-pandemic comparison, £29.2m investment income was earned in 2019). Among the key drivers of dividend growth were miners, as a result of high commodity prices, and banks, where dividends resumed following their forced suspension by the regulator in 2020. In a broader sense, there was also an annualization benefit from a number of companies that suspended dividends during the peak of the pandemic in Spring 2020, many of which only resumed payments towards the end of that year.

When we look ahead, there are reasons for optimism on the prospects for further dividend growth in the portfolio. This is because there are a number of companies held that are yet to resume dividends. These tend to be companies in industries most affected by the pandemic, such as travel or hospitality. As these end markets will recover, we see it as likely that these companies will return to paying dividends, adding a further leg to portfolio dividend growth. In addition, as we were sizeable net investors over the course of 2021, this will benefit 2022 earnings from the portfolio.

Investment managers' review continued

Portfolio activity

The most material active decision in 2021 was to continue to be a net investor. We invested £58m (net) over the course of the year, the vast majority of which (£55m) was invested in the UK. Referring back to the 'UK market backdrop' section of this report, this is because we continue to find widespread value opportunities in UK equities relative to overseas peers.

While in the Spring of 2020 there was a deliberate tilt towards purchasing companies that would benefit from the global economic recovery (such as mining companies such as Rio Tinto, and retailers like and Marks & Spencer), in 2021 there was greater breadth to portfolio purchases. Purchases spanned further additions to financials (such as banks, including Barclays, HSBC, Lloyds and Natwest) as well as pharmaceuticals (with new positions in Sanofi and Merck) and specialist retailers (such as Kingfisher and Vertu Motors). The commonality among these purchases is that they are well-managed by experienced teams and are often one of the market leaders in what they are producing. In seeking out these market-leading businesses, we are implicitly seeking out businesses which have the capability to adapt and respond to higher inflation. A company that is a market leader producing an excellent product (or service) has a greater likelihood of being able to pass on higher input costs. This capability will be of increasing importance if, as we expect, inflation proves to be more persistent than is widely expected.

Top five purchases

The five largest purchases during the year were:

Stock	Amount purchased
Kingfisher	£11.7m
Flutter Entertainment	£11.0m
Barclays	£8.8m
Jubilee Metals	£8.6m
Sanofi	£8.4m

Top five sales

The five largest sales during the year were:

Stock	Amount sold
Applied Materials	£12.6m
Croda	£11.3m
St Modwen Properties	£10.3m
Ceres Power	£7.5m
Meggitt	£7.5m

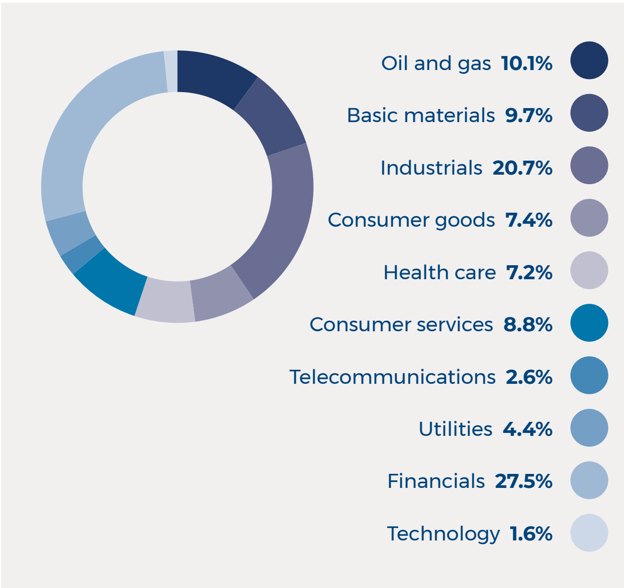
Outlook

It appears Covid-19 may be receding as a problem. If this is correct, 2022 should see reasonably strong economic growth as supply bottlenecks are overcome and consumer confidence returns. The macroeconomic concerns are turning from worries about recession to increasing concerns about the persistence of inflation. There are real worries that inflation as a longer-term problem is not going away. There are many reasons for this. For instance, the move to more environmentally sustainable economic growth will come at a cost. The infrastructure required to move economic activity away from fossil fuels to renewable energy will be expensive. However, it will be an added stimulus to economic growth. Successful companies will adapt to the inflationary environment and those with strong product offerings will have the pricing power required to protect their operating margins. We give careful consideration to ESG factors when selecting stocks and constructing the portfolio. Further information approach can be found in the ESG section, on page 48. Meanwhile, the valuations of the companies held in the portfolio are attractive if the earnings projected come through. Equities are a good hedge against inflation if the dividend flow from the underlying companies beats the rate of inflation. The real value of the investment will rise. The stocks held are a diversified collection of companies that as a blend are chosen for this purpose.

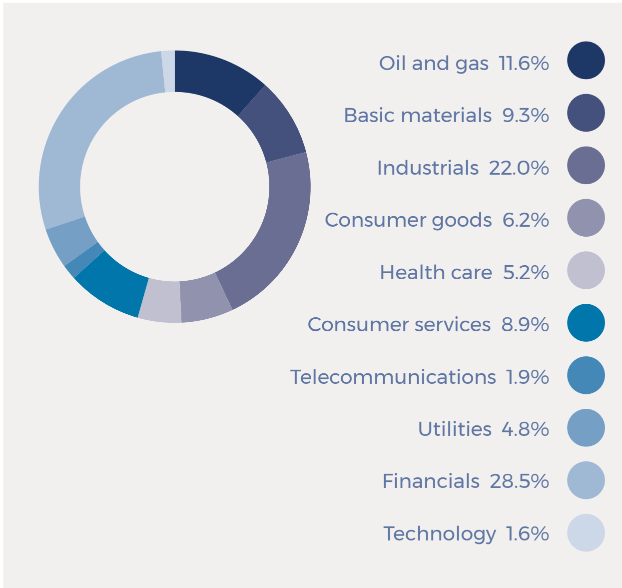
James Henderson and Laura Foll
Investment managers
24 February 2022

Portfolio by sector and value

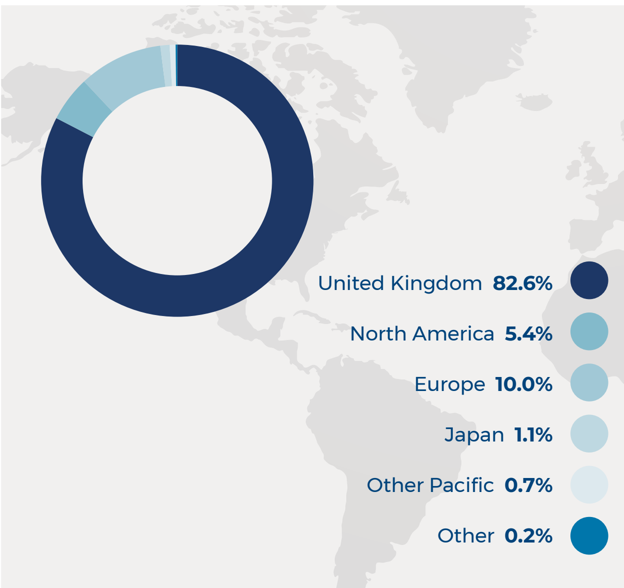
Portfolio by sector 2021



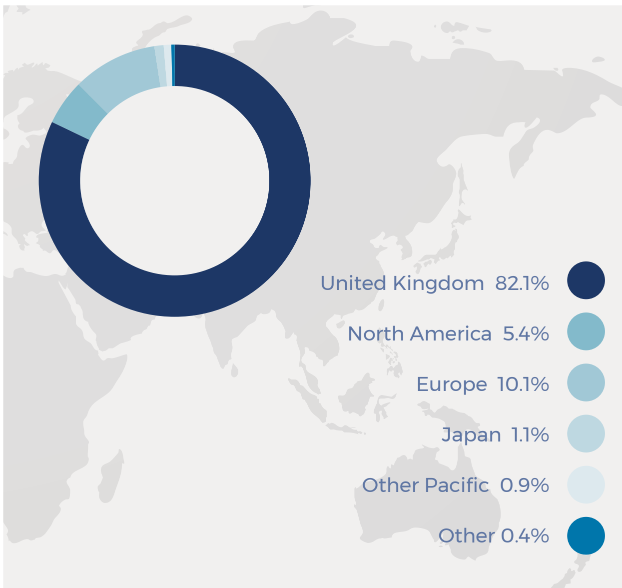
Portfolio by sector 2020



Geographical distribution of portfolio by value 2021



Geographical distribution of portfolio by value 2020



Fifteen largest holdings: investment rationale

as at 31 December 2021

Rank 2021	Company	% of portfolio	Approx Market Cap.	Valuation 2020 £000	Purchases £000	Sales £000	Appreciation/ (Depreciation) £000	Valuation 2021 £000
1	**GlaxoSmithKline**	2.71	£80.8bn	22,478	–	–	4,433	26,911
GlaxoSmithKline is one of the world's largest pharmaceutical, vaccine and consumer healthcare companies. GSK currently trades at a valuation discount to the global pharmaceutical sector, as, while it has world-leading consumer healthcare, HIV and vaccines businesses, the pharmaceutical division has often lagged behind others in, for example, innovative oncology drugs. Under its management team, it is re-investing in R&D and focussing on innovative products. It is also demerging its consumer healthcare division in 2022, which could be more highly valued as a standalone business.								
2	**Shell**	2.04	£124.7bn	15,743	–	–	4,537	20,280
Shell is a vertically integrated oil & gas company, with a diverse range of businesses including upstream oil & gas, renewables, chemicals and retail. Within the upstream division, Shell has a significant exposure to natural gas, which, in our view, will serve as a key transition fuel on the route to de-carbonisation. During this transition period, the cash generation from fossil fuels is being used to fund material investment within the renewables area.								
3	**Barclays**	2.04	£31.3bn	7,261	8,766	–	4,169	20,196
Barclays has a strong retail lending franchise combined with an investment bank. Over time its strong retail franchise should allow it to generate good returns on capital. However, in the past, these have not consistently come through because of bad debts and persistently low interest rates. The bad debt provisions appear now to be robust and the direction of interest rates from here is likely to be upwards. Therefore, the strengths of the bank are expected to come to the fore.								
4	**HSBC**	1.96	£91.1bn	11,881	5,297	–	2,276	19,454
HSBC is a global bank with a substantial presence in Hong Kong and mainland China. Its geographic focus brings worthwhile diversity to the portfolio. If interest rates globally were to rise from their current modest levels, this has the potential to materially increase group earnings over time.								
5	**BP**	1.90	£65.2bn	14,524	–	–	4,315	18,839
BP is a vertically integrated oil and gas company. Under a new CEO, BP has 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 & gas business should enable this transition to take place, while also continuing to fund cash returns to shareholders via dividends and share buybacks.								
6	**Rio Tinto**	1.85	£81.0bn	20,512	–	–	(2,167)	18,345
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.								
7	**Accsys Technologies**	1.58	£0.3bn	11,131	1,372	–	3,220	15,723
The company focuses on the sustainable transformation of wood through acetylation (creating a natural sealant to protect against erosion). It is scaling up production in the Netherlands and has a joint venture to build a new plant in the US.								
8	**Herald Investment Trust**	1.51	£4.6bn	17,505	–	(4,034)	1,559	15,030
Herald is a global technology focussed 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.								
9	**National Grid**	1.50	£38.3bn	12,189	–	–	2,745	14,934
National Grid is 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.								
10	**Severn Trent**	1.48	£7.4bn	11,440	–	–	3,295	14,735
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.								

Fifteen largest holdings: investment rationale continued

as at 31 December 2021

Rank 2021	Company	% of portfolio	Approx Market Cap.	Valuation 2020 £000	Purchases £000	Sales £000	Appreciation/ (Depreciation) £000	Valuation 2021 £000
11	**Relx**	1.45	£46.3bn	10,755	–	–	3,633	14,388
Relx is an information services provider across a broad range of industries. For example, its LexisNexis software is used as a reference and analytical tool by the majority of law firms globally. It also manages exhibitions and publish scientific and medical journals. Relx has done an excellent job historically of growing sales and earnings, with low single digit organic sales growth plus a small amount of margin growth leading to high single digit earnings growth. This consistency has meant Relx has acquired an (in our view justified) valuation premium relative to the broader market.								
12	**Lloyds Banking Group**	1.45	£33.9bn	7,652	3,572	–	3,116	14,340
Lloyds is a leading retail and commercial lender in the UK. Its strong market share within UK mortgage lending allowed it to historically generate good returns versus peers. In the period since the financial crisis, the balance sheet has been gradually strengthened, which could allow good returns to shareholders via dividends and share buybacks.								
13	**Marks & Spencer**	1.42	£4.5bn	6,951	1,475	–	5,689	14,115
Marks & Spencer is a food and clothing retailer. Under a new leadership team, it has signed a partnership with Ocado, giving it a credible offering in online food. Within clothing it has made a number of improvements, such as re-setting prices and improving the website. These 'self help' measures are beginning to be evident in a good recovery in sales and earnings in the current financial year.								
14	**NatWest**	1.42	£25.5bn	9,213	1,480	–	3,407	14,100
Natwest is one of the largest commercial and retail lenders in the UK. In recent years it has largely exited its markets business and re-focussed on its original area of strength (domestic lending). The balance sheet has been steadily improved over the decade since the financial crisis, leaving the business in a good position to steadily return cash to shareholders via dividends and share buybacks.								
15	**Direct Line Insurance**	1.41	£3.7bn	10,368	5,197	–	(1,615)	13,950
Direct Line is one of the leading motor and home insurers in the UK, with a well-known consumer facing brand. The company is a disciplined underwriter, with a history of generating good returns in a competitive UK insurance market.								

Classification of investments

based on market values as at 31 December 2021

	U.K. %	North America %	Europe %	Rest of the world %	Total 2021 %	Total 2021 £000	Total 2020 %	Total 2020 £000
Oil and gas								
Alternative energy	1.24	–	–	–	1.24	12,330	1.36	11,079
Oil & gas producers	5.05	0.62	–	–	5.67	56,137	5.26	42,711
Oil equipment services & distribution	2.26	0.87	–	–	3.13	31,063	4.98	40,479
	8.55	1.49	–	–	10.04	99,530	11.60	94,269
Basic materials								
Chemicals	0.83	0.19	1.82	–	2.84	28,074	3.11	25,311
Forestry & paper	0.87	–	–	–	0.87	8,674	1.01	8,168
Mining	5.27	–	0.66	–	5.93	58,793	5.17	42,010
	6.97	0.19	2.48	–	9.64	95,541	9.29	75,489
Industrials								
Aerospace & defence	3.79	–	0.13	–	3.92	38,876	4.18	33,928
Construction & materials	4.87	–	0.28	–	5.15	51,143	4.49	36,432
Electronic & electrical equipment	2.86	–	–	–	2.86	28,363	2.88	23,434
General industrials	1.09	–	0.17	–	1.26	12,478	1.66	13,448
Industrial engineering	2.45	1.53	–	–	3.98	39,518	4.52	36,706
Industrial transportation	0.86	–	–	–	0.86	8,577	1.37	11,104
Support services	2.07	–	0.38	–	2.45	24,370	2.95	23,916
	17.99	1.53	0.96	–	20.48	203,325	22.05	178,968
Consumer goods								
Automobiles & parts	0.21	0.83	0.33	1.12	2.49	24,727	2.22	18,032
Food & drug retailers	1.36	–	–	–	1.36	13,488	0.74	6,016
Food producers	–	–	0.55	–	0.55	5,512	0.43	3,507
Household goods & home construction	2.15	–	–	–	2.15	21,338	1.49	12,116
Personal goods	0.60	–	0.21	–	0.81	8,012	0.75	6,132
Tobacco	–	–	–	–	–	–	0.58	4,739
	4.32	0.83	1.09	1.12	7.36	73,077	6.21	50,542
Health care								
Health care equipment & services	1.53	–	–	–	1.53	15,163	0.87	7,097
Pharmaceuticals & biotechnology	2.72	1.30	1.60	–	5.62	55,648	4.31	34,950
	4.25	1.30	1.60	–	7.15	70,811	5.18	42,047
Consumer services								
General retailers	3.92	–	–	–	3.92	38,889	3.23	26,228
Media	2.11	–	–	–	2.11	20,925	2.68	21,740
Travel & leisure	1.67	–	1.00	–	2.67	26,508	2.96	24,084
	7.70	–	1.00	–	8.70	86,322	8.87	72,052
Telecommunications								
Fixed line telecommunications	1.07	–	0.19	–	1.26	12,492	0.60	4,852
Mobile telecommunications	1.07	–	0.22	–	1.29	12,858	1.34	10,887
	2.14	–	0.41	–	2.55	25,350	1.94	15,739
Utilities								
Electricity	0.53	–	–	–	0.53	5,224	1.72	13,959
Gas, water & multiutilities	3.79	–	–	–	3.79	37,709	3.08	25,025
	4.32	–	–	–	4.32	42,933	4.80	38,984
Financials								
Banks	7.71	–	0.71	–	8.41	83,642	6.35	51,586
Equity investment instruments	2.53	–	–	0.71	3.24	32,294	4.70	38,213
Financial services	5.41	0.07	0.32	–	5.80	57,565	6.17	50,102
Life insurance/assurance	3.75	–	–	–	3.75	37,190	4.09	33,207
Nonlife insurance	2.19	–	0.31	–	2.50	24,780	2.85	23,204
Real estate investment trusts	2.92	–	0.44	–	3.36	33,372	3.43	27,809
Real estate investments & services	–	–	–	–	–	–	0.91	7,400
	24.50	0.07	1.78	0.71	27.06	268,843	28.50	231,521
Technology								
Advanced medical equipment & technology	0.45	–	–	–	0.45	4,466	–	–
Software & computer services	0.41	–	0.35	–	0.76	7,519	0.43	3,502
Technology hardware & equipment	–	–	0.33	–	0.33	3,229	1.13	9,184
	0.86	–	0.68	–	1.54	15,214	1.56	12,686
Other								
Other	0.13	–	–	–	0.13	1,261	–	–
Sustainable energy	0.84	–	–	0.19	1.03	10,271	–	–
	0.97	–	–	0.19	1.16	11,532	–	–
TOTAL 2021	82.57	5.41	10.00	2.02	100.00	992,478		
TOTAL 2020	81.96	5.43	10.14	2.47	–	–	100.00	812,297

The above table excludes bank balances and short-term deposits

Photo credit: Youssef Sallam

Investment portfolio valuation

based on market values as at 31 December 2021

Holding name	Country	Region	Sector	Industry	£000	%
GlaxoSmithKline	UK	UK	Health Care	Pharmaceuticals & biotechnology	26,911	2.71
Shell	UK	UK	Oil & Gas	Oil & gas producers	20,280	2.04
Barclays	UK	UK	Financials	Banks	20,196	2.04
HSBC	UK	UK	Financials	Banks	19,454	1.96
BP	UK	UK	Oil & Gas	Oil & gas producers	18,839	1.90
Rio Tinto	UK	UK	Basic Materials	Mining	18,345	1.85
Accsys Technologies	UK	UK	Industrials	Construction & materials	15,723	1.58
Herald Investment Trust	UK	UK	Financials	Equity investment instruments	15,030	1.51
National Grid	UK	UK	Utilities	Gas, water & multiutilities	14,934	1.50
Severn Trent	UK	UK	Utilities	Gas, water & multiutilities	14,735	1.48
Relx	UK	UK	Consumer Services	Media	14,388	1.45
Lloyds Banking Group	UK	UK	Financials	Banks	14,340	1.45
Marks & Spencer	UK	UK	Consumer Services	General retailers	14,115	1.42
NatWest	UK	UK	Financials	Banks	14,100	1.42
Direct Line Insurance	UK	UK	Financials	Nonlife insurance	13,950	1.41
Aviva	UK	UK	Financials	Life insurance/assurance	13,892	1.40
Morgan Advanced Materials	UK	UK	Industrials	Electronic & electrical equipment	13,783	1.39
Anglo American	UK	UK	Basic Materials	Mining	13,572	1.37
Tesco	UK	UK	Consumer Goods	Food & drug retailers	13,488	1.36
Ceres Power	UK	UK	Oil & Gas	Oil equipment services & distribution	13,058	1.32
Linde	Germany	Europe	Basic Materials	Chemicals	12,819	1.29
Senior	UK	UK	Industrials	Aerospace & defence	12,542	1.26
BHP	UK	UK	Basic Materials	Mining	12,095	1.22
Prudential Corp	UK	UK	Financials	Life insurance/assurance	11,904	1.20
Land Securities	UK	UK	Financials	Real estate investment trusts	11,820	1.19
Kingfisher	UK	UK	Consumer Goods	Household goods & home construction	11,663	1.18
Dunelm	UK	UK	Consumer Services	General retailers	11,462	1.16
IP Group	UK	UK	Financials	Financial services	11,274	1.14
Toyota Motor Corporation	Japan	Japan	Consumer Goods	Automobiles & parts	11,151	1.12
M & G	UK	UK	Financials	Financial services	10,948	1.10
Smith (DS)	UK	UK	Industrials	General industrials	10,807	1.09
Vodafone	UK	UK	Telecommunications	Mobile telecommunications	10,657	1.07
BT Group	UK	UK	Telecommunications	Fixed line telecommunications	10,597	1.07
Rolls Royce	UK	UK	Industrials	Aerospace & defence	10,383	1.05
Hipgnosis Songs Fund	UK	UK	Financials	Equity investment instruments	10,157	1.02
Hill & Smith	UK	UK	Industrials	Industrial engineering	10,124	1.02
Irish Continental Group	Ireland	Europe	Consumer Services	Travel & leisure	9,969	1.00
BAE Systems	UK	UK	Industrials	Aerospace & defence	9,896	1.00
Watkin Jones	UK	UK	Consumer Goods	Household goods & home construction	9,676	0.97
Urban Logistics REIT	UK	UK	Financials	Real estate investment trusts	9,524	0.96
Kier	UK	UK	Industrials	Construction & materials	8,905	0.90
Flutter Entertainment	UK	UK	Consumer Services	Travel & leisure	8,813	0.89
Mondi	UK	UK	Basic Materials	Forestry & paper	8,674	0.87
Schlumberger	USA	North America	Oil & Gas	Oil equipment services & distribution	8,655	0.87

Investment portfolio valuation continued

based on market values as at 31 December 2021

Holding name	Country	Region	Sector	Industry	£000	%
Sanofi	France	Europe	Health Care	Pharmaceuticals & biotechnology	8,559	0.86
Standard Chartered	UK	UK	Financials	Banks	8,456	0.85
Johnson Service Group	UK	UK	Industrials	Support services	8,249	0.83
General Motors	USA	North America	Consumer Goods	Automobiles & parts	8,231	0.83
Jubilee Metals Group	UK	UK	Basic Materials	Mining	8,221	0.83
Centrica	UK	UK	Utilities	Gas, water & multiutilities	8,039	0.81
Provident Financial	UK	UK	Financials	Financial services	7,928	0.80
AFC Energy	UK	UK	Oil & Gas	Alternative energy	7,817	0.79
Hiscox	UK	UK	Financials	Nonlife insurance	7,786	0.78
Spectris	UK	UK	Industrials	Electronic & electrical equipment	7,773	0.78
Elementis	UK	UK	Basic Materials	Chemicals	7,711	0.78
Hammerson	UK	UK	Financials	Real estate investment trusts	7,671	0.77
Caterpillar	USA	North America	Industrials	Industrial engineering	7,640	0.77
IMI	UK	UK	Industrials	Industrial engineering	7,595	0.77
Royal Mail	UK	UK	Industrials	Industrial transportation	7,590	0.76
ITM Power	UK	UK	Oil & Gas	Oil equipment services & distribution	7,585	0.76
Cummins	USA	North America	Industrials	Industrial engineering	7,574	0.76
Balfour Beatty	UK	UK	Industrials	Construction & materials	7,242	0.73
Standard Life Aberdeen	UK	UK	Financials	Financial services	7,239	0.73
Scottish Oriental Small Co	Other Asia	Other Pacific	Financials	Equity investment instruments	7,082	0.71
Halfords	UK	UK	Consumer Services	General retailers	6,901	0.70
TT Electronics	UK	UK	Industrials	Electronic & electrical equipment	6,807	0.69
Glencore	Switzerland	Europe	Basic Materials	Mining	6,562	0.66
Marshalls	UK	UK	Industrials	Construction & materials	6,233	0.63
Gibson Energy	Canada	North America	Oil & Gas	Oil & gas producers	6,114	0.62
Smith & Nephew	UK	UK	Health Care	Health care equipment & services	6,065	0.61
International Personal Finance	UK	UK	Financials	Financial services	5,999	0.60
Convatec Group	UK	UK	Health Care	Health care equipment & services	5,927	0.60
Unilever	UK	UK	Consumer Goods	Personal goods	5,918	0.60
Ibstock	UK	UK	Industrials	Construction & materials	5,886	0.59
Chesnara	UK	UK	Financials	Life insurance/assurance	5,843	0.59
Bristol-Myers Squibb	USA	North America	Health Care	Pharmaceuticals & biotechnology	5,760	0.58
Phoenix Group Holdings	UK	UK	Financials	Life insurance/assurance	5,551	0.56
VH Global Sustainable Energy Opportunities	UK	UK	Other	Sustainable energy	5,340	0.54
Euromoney	UK	UK	Consumer Services	Media	5,112	0.52
Redde Northgate	UK	UK	Industrials	Support services	5,089	0.51
SSE	UK	UK	Utilities	Electricity	4,944	0.50
Oxford Sciences Innovation	UKULM	UK	Financials	Financial services	4,933	0.50
International Consolidated Airlines	UK	UK	Consumer Services	Travel & leisure	4,897	0.49
Merck & Co	USA	North America	Health Care	Pharmaceuticals & biotechnology	4,814	0.49

Investment portfolio valuation continued

based on market values as at 31 December 2021

Holding name	Country	Region	Sector	Industry	£000	%
Babcock	UK	UK	Industrials	Aerospace & defence	4,762	0.48
Ilika	UK	UK	Oil & Gas	Alternative energy	4,513	0.45
Oxford Nanopore Tehcnologies	UK	UK	Technology	Advanced medical equipment & technology	4,466	0.45
SigmaRoc	UK	UK	Industrials	Construction & materials	4,410	0.44
Grit Real Estate Income Group	Guernsey	Europe	Financials	Real estate investment trusts	4,356	0.44
Nestle	Switzerland	Europe	Consumer Goods	Food producers	4,204	0.42
Blue Prism Group	UK	UK	Technology	Software & computer services	4,105	0.41
Vertu Motors	UK	UK	Consumer Services	General retailers	3,930	0.40
iEnergizer	Guernsey	Europe	Industrials	Support services	3,808	0.38
UniCredit	Italy	Europe	Financials	Banks	3,785	0.38
Ricardo	UK	UK	Industrials	Support services	3,753	0.38
i3 Energy	UK	UK	Oil & Gas	Oil & gas producers	3,738	0.38
Roche	Switzerland	Europe	Health Care	Pharmaceuticals & biotechnology	3,729	0.38
Indus Gas	UK	UK	Oil & Gas	Oil & gas producers	3,672	0.37
Koninklijke DSM	Netherlands	Europe	Basic Materials	Chemicals	3,631	0.37
Boku	UK	UK	Industrials	Support services	3,471	0.35
Weir Group	UK	UK	Industrials	Industrial engineering	3,423	0.34
Bawag	Austria	Europe	Financials	Banks	3,306	0.33
Morses Club	UK	UK	Financials	Financial services	3,281	0.33
ASML	Netherlands	Europe	Technology	Technology hardware & equipment	3,229	0.33
Reckitt Benckiser Group	UK	UK	Health Care	Health care equipment & services	3,170	0.32
Munchener Rueckver	Germany	Europe	Financials	Nonlife insurance	3,043	0.31
Libertine Holdings	UK	UK	Other	Sustainable energy	3,000	0.30
Marstons	UK	UK	Consumer Services	Travel & leisure	2,829	0.29
Amundi	France	Europe	Financials	Financial services	2,631	0.27
Studio Retail Group	UK	UK	Consumer Services	General retailers	2,481	0.25
Novo Nordisk	Denmark	Europe	Health Care	Pharmaceuticals & biotechnology	2,314	0.23
Ondine Biomedical Inc.	Canada	North America	Health Care	Pharmaceuticals & biotechnology	2,292	0.23
Cellnex Telecom	Spain	Europe	Telecommunications	Mobile telecommunications	2,201	0.22
SAP	Germany	Europe	Technology	Software & computer services	2,142	0.22
Moncler	Italy	Europe	Consumer Goods	Personal goods	2,095	0.21
Surface Transforms	UK	UK	Consumer Goods	Automobiles & parts	2,054	0.21
Allied Minds	UK	UK	Financials	Financial services	1,980	0.20
Gelion	Other	Other	Other	Sustainable energy	1,931	0.19
Koninklijke KPN	Netherlands	Europe	Telecommunications	Fixed line telecommunications	1,895	0.19
Plant Health Care	USA	North America	Basic Materials	Chemicals	1,864	0.19
Renold	UK	UK	Industrials	Industrial engineering	1,836	0.19
Longboat Energy	UK	UK	Oil & Gas	Oil & gas producers	1,830	0.18
Velocys	UK	UK	Oil & Gas	Oil equipment services & distribution	1,766	0.18
Stellantis	Netherlands	Europe	Consumer Goods	Automobiles & parts	1,678	0.17
Sig Combibloc	Switzerland	Europe	Industrials	General industrials	1,671	0.17
Faurecia	France	Europe	Consumer Goods	Automobiles & parts	1,612	0.16

Investment portfolio valuation continued

based on market values as at 31 December 2021

Holding name	Country	Region	Sector	Industry	£000	%
Arkema SA	France	Europe	Basic Materials	Chemicals	1,552	0.16
Kion Group AG	Germany	Europe	Industrials	Construction & materials	1,501	0.15
Mirriad Advertising	UK	UK	Consumer Services	Media	1,425	0.14
CNH Industrial	UK	UK	Industrials	Industrial engineering	1,325	0.13
Danone SA	France	Europe	Consumer Goods	Food producers	1,307	0.13
Safran SA	France	Europe	Industrials	Aerospace & defence	1,293	0.13
Prosus	Netherlands	Europe	Technology	Software & computer services	1,272	0.13
Grifols	Spain	Europe	Health Care	Pharmaceuticals & biotechnology	1,270	0.13
Allfunds Group	UK	UK	Other	Other	1,261	0.13
AB Skf	Sweden	Europe	Industrials	Construction & materials	1,243	0.13
Logistics Development Group	UK	UK	Industrials	Industrial transportation	987	0.10
Tullow Oil	UK	UK	Oil & Gas	Oil & gas producers	918	0.09
Jackson Financial	USA	North America	Financials	Financial services	722	0.07
Harbour Energy	UK	UK	Oil & Gas	Oil & gas producers	663	0.07
Brockhaus Capital Management	Germany	Europe	Financials	Financial services	531	0.05
Carclo	UK	UK	Basic Materials	Chemicals	497	0.05
SIMEC Atlantis Energy	UK	UK	Utilities	Electricity	280	0.02
LDIC Investments	UK	UK	Other	Other	100	0.01
Providence Resources	UK	UK	Oil & Gas	Oil & gas producers	83	0.01
Better Cap	UK	UK	Financials	Equity investment instruments	25	0.00
Permanent TSB	Ireland	Europe	Financials	Banks	5	0.00
					992,478	100.00

Changes in geographical distribution

	Valuation 31 December 2020 £000	Purchases £000	Costs of acquisition £000	Sales proceeds £000	Appreciation/ (Depreciation)* £000	Valuation 31 December 2021 £000	%
United Kingdom	665,800	142,933	(558)	(86,301)	97,560	819,434	82.6
North America	44,156	14,717	(2)	(17,833)	12,627	53,665	5.4
Europe	82,343	42,446	(85)	(33,684)	8,194	99,214	10.0
Japan	9,297	–	–	–	1,854	11,151	1.1
Other Pacific	7,077	–	–	(998)	1,004	7,083	0.7
Other	3,624	–	–	(1,624)	(69)	1,931	0.2
	812,297	200,096	(645)	(140,440)	121,170	992,478	100.0

* Please refer to note 2 on page 108.

Company overview

Who we are

From its origins in 1889, Law Debenture has diversified to become a Group which provides our shareholders, clients and people a unique combination of an investment portfolio and an independent professional services business.

Our purpose and objective

Our purpose is to deliver peace of mind for our shareholders, clients and people. This is central to our strategy, both at the portfolio and IPS levels, and underpins the way we think and behave every day.

Our objective as an 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.

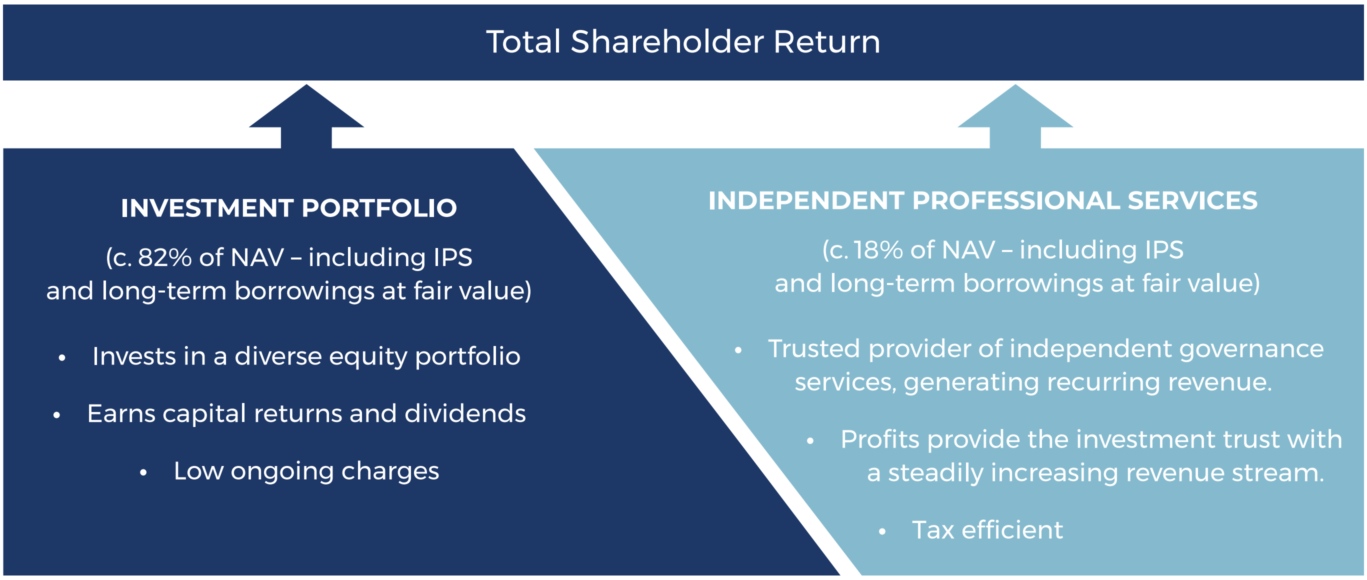
Our IPS clients know that we are independent, experts and have 133 years of experience to call on in delivering vital aspects of their business cycle.

Our purpose and objective are underpinned by our corporate values of:

- We believe it's possible.
- We make change happen.
- We are better together.
- We never stop learning.

Our business model

Our business model is designed to position the Company for optimal performance in the investment trust sector.



INVESTMENT PORTFOLIO

- The Company's portfolio will typically contain between 70 and 175 listed investments.
- The portfolio is diversified in order to spread investment risk with no obligation to hold shares in any particular type of company or industry.
- The IPS business does not form part of the investment portfolio.

Whilst performance is measured against the FTSE Actuaries All-Share Index, the composition of the index 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 index.

INDEPENDENT PROFESSIONAL SERVICES

Operating through a number of wholly owned subsidiary companies, (see 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 2021 are given in the Chief Executive Officer's review on pages 8 to 14.

Law Debenture's 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 strategy – implementation

Our strategy is centred round the unique combination of the investment portfolio and our IPS business. Whilst overseen by the Board, the IPS business operates independently from the portfolio.

The IPS profits provide a regular source of revenue to the investment trust, helping to smooth out equity peaks and troughs. This supports the delivery of steadily increasing income for our shareholders and ensures our investment managers are not constrained to choosing stocks on yield. Instead, the investment managers can benefit from increased flexibility in stock selection supporting the delivery of long-term capital growth.

Our unique structure is also tax efficient as some tax relief, arising from excess costs and interest payments which would otherwise be unutilised, can be passed from the investment trust to the IPS business reducing the tax liability for the Group and increasing shareholder returns.

The way in which we implemented the investment strategy during 2021 is described in more detail in the investment managers' review on pages 18 to 20.

Performance against KPIs is set out at pages 2 to 29, which contain tables, charts and data to explain performance both during the year under review and over the long-term.

Agreement with the investment managers

Appointed investment managers: James Henderson & Laura Foll, Janus Henderson Investors.

On a fully discretionary basis, our investment managers are responsible for implementing the Company's investment strategy. The contract in place is terminable by either side on six months' notice.

The agreement with Janus Henderson does not cover custody, which is the responsibility of the depository (see section on regulatory compliance in the Directors' Report, page 55). It also does not cover the preparation of data associated with investment performance or record keeping, both of which remain the responsibility of the Company.

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 – guidelines

The Board sets the investment strategy and actively monitors both the investment managers' and Executive Leadership team's adherence through a series of guidelines and parameters in each scheduled Board meeting. The strategy is reviewed periodically to ensure that the investment trust delivers on its objective.

<table>
<tr><td>Investments</td><td>Permitted types of investments are:

• Equity Shares
• Collective Investment Products including Open Ended Investment Companies (OEICs)
• Fixed Interest Securities
• Interests in Limited Liability Partnerships
• Cash
• Liquid Assets

The regional parameters are:

<table><tr><th></th><th>Minimum %</th><th>Maximum %</th></tr><tr><td>United Kingdom</td><td>55</td><td>100</td></tr><tr><td>North America</td><td>0</td><td>20</td></tr><tr><td>Europe</td><td>0</td><td>20</td></tr><tr><td>Japan</td><td>0</td><td>10</td></tr><tr><td>Other Pacific</td><td>0</td><td>10</td></tr><tr><td>Other</td><td>0</td><td>10</td></tr></table></td><td>Restrictions:

• Trading is not permitted in suspended shares or short positions
• No more than 15% of gross assets will be invested in other UK listed investment trusts
• No investment may be made which raises the aggregate value of the largest 20 holdings, excluding investments in collective investment vehicles that give exposure to Japan, Asia Pacific or emerging market regions, to more than 40% of the portfolio, including gilts and cash
• The value of a new acquisition in any one company may not exceed 5% of the 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, at the next Board meeting, to retain a holding should its value increase above the 5% limit.
• The Company may not make investments in respect of which there is unlimited liability.</td></tr>
<tr><td>Derivatives</td><td colspan="2">May be used with prior authorisation of the Board</td></tr>
<tr><td>Hedging</td><td colspan="2">Currency hedges may be put in place to protect against foreign exchange movements on the capital and income accounts</td></tr>
<tr><td>Stock-lending</td><td colspan="2">Up to 30% of the value of NAV may be lent</td></tr>
<tr><td>Gearing</td><td colspan="2">The Company applies a ceiling on effective gearing of 50%. Typically effective gearing, net of cash, is between 10% and 20%. The Board retains the ability to reduce equity exposure so that net cash is above 10% if deemed appropriate.</td></tr>
</table>

Fee structure and ongoing charges

Investment trusts are required to publish their ongoing charges ratio. This is the cost of operating the trust and includes the investment management fee, depository and custody fees, investment performance data, accounting, company secretary and back office administration.

The Company continues to have one of the more competitive fee structures in the UK Equity Income Sector with investment management fees of 0.30% p.a. of the value of net assets of the Group (excluding the net assets of IPS), calculated on the basis adopted in the audited financial statements, and ongoing charges of 0.50%.

No performance fee is paid to the investment manager.

Reappointment of the investment managers

On an annual basis, at a minimum, the Board assesses whether the investment managers should be reappointed. The key criterion for assessment is the long-term performance of the portfolio.

Given Janus Henderson's proven record of performance, and the competitive fee arrangements in place, the Board has concluded that the continued appointment of our existing investment manager remains in the interests of our shareholders.

Gearing and long-term borrowing

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. Alternatively, assets from within the portfolio can be sold to reduce debt and the portfolio can 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 2021, our gearing was 13% (2020: 9%) (refer page 134).

The Company has four debentures (long dated sterling denominated financing) details of which are on page 128. The weighted average interest payable on the Company's debentures is 3.966% (2020: 4.589%).

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.

Capital structure

Law Debenture has 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.

We consider our ordinary shares to be 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 in understanding the nature of the underlying investments they are buying into when investing in Law Debenture's shares, we publish our NAV on a daily basis. We also publish the entire portfolio monthly – with additional monthly updates on the composition of the top ten holdings in the portfolio.

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

Performance and related data

Pages 2 and 18 to 20, which contain performance and related data, form 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 with IPS and debt at fair value (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 costs and ongoing charges 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 IPS and debt at fair value

1 year	3 years	5 years	10 years
25.1%	47.3%	59.4%	187.7%

Premium/(discount)

	31 December 2021	31 December 2020
Year end	1.4%	3.6%
High for year	5.4%	6.6%
Low for year	(4.6%)	(19.0)%

Ongoing charges ratio

Year ended 31 December 2021	Year ended 31 December 2020
0.50%	0.55%

Alternative Performance Measures as defined under ESMA guidelines have been adopted and these are described in detail on page 134.

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".

Company overview continued

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.

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.

Law Debenture's latest published level of ongoing charges is one of the lowest in the marketplace at 0.50%. No performance fee is paid to the investment manager.

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 is a signatory 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 96. The assets and liabilities of the business are also consolidated into the Group column of the statement of financial position on page 97. A segmental analysis is provided in note 6 (pages 110 and 111) 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 does not fully recognise the value created for the shareholder by the IPS business in the NAV. 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 2021, with an appropriate multiple applied. The EBITDA for the IPS business for 2021 was £15.4m. This number is reached by taking the return, including profit attribution on ordinary activities before interest and taxation of £13.3m from note 6 on page 110 and adding back the depreciation charge for property plant and equipment of £1.2m, the amortisation of intangible assets of £0.5m, and interest on the lease liabilities shown in note 3 on page 109.

The calculation of the IPS valuation and methodology used are included at note 14 on pages 118 and 119. 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 challenge that we faced in this valuation cycle is that many of our core comparators, as presented in the 2020 Annual Report,

Company overview continued

have been subject to mergers and acquisition activity in the past year. As a result of the premium this builds into the valuations, the companies most like our IPS business were excluded from the comparator group. Whilst the group of companies presented in the table have some likeness to IPS, further work has been required in producing a multiple reflective of the fair value to attribute to IPS.

The multiple of 10.8x has been applied to value the business. The uplift reflects that the IPS business now has four years of revenue and profit growth. The multiple selected represents a discount of almost 13% on the mean multiple across the comparable businesses presented below, to reflect the relative size of the IPS business and the fact that it is unlisted.

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

Company	Revenue LTM[1] (£m)	LTM EV/EBITDA 31 Dec 2021	Revenue CAGR 2017-2021	EBITDA margin LTM
Law Deb IPS	42	10.8x	11.3%	37%
SEI Investments Company	1,378	13.9x	5.1%	31%
SS&C Technologies Holding, Inc	3,674	13.1x	31.2%	37%
EQT Holdings Limited	55	13.8x	3.8%	36%
Perpetual Limited	354	10.3x	3.6%	22%

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

Of the comparator companies previously presented above, the following were the subject of mergers and acquisitions activity: Sanne Group plc was subject to a valuation 23.5x of EBITDA, Link Administration Holdings Limited a valuation 13.4x of EBITDA and Intertrust a valuation at 12.3x of EBITDA.

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 £1.89m (2020: £1.5m).

It is hoped that our continued 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 percentage growth in 2022. The total valuation (including surplus net assets) of the business has increased by £79.5m/88% 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 36.

Long-term performance record

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Net assets per the statement of financial positions (£m)[1]	451.9	569.1	574.2	557.3	662.3	748.3	669.4	775.3	727.0	**878.8**
Revenue return (pence)	15.14	16.27	16.95	18.10	15.96	21.66	21.26	30.68	21.56	**28.09**
Capital return (pence)	50.24	97.18	3.87	(17.47)	89.30	67.10	(71.85)	79.27	(19.06)	**94.60**
Total (pence)	65.38	113.45	20.82	0.63	105.26	88.76	(50.59)	109.95	2.50	**122.69**

Revenue return (pence)										
Investment portfolio	8.47	9.31	10.08	11.01	10.88	11.61	13.23	22.18	12.12	**18.09**
Independent professional services	6.67	6.96	6.87	7.09	7.68	9.93*	7.87	8.54	9.35	**10.00**
	15.14	16.27	16.95	18.10	18.56	21.54	21.10	30.72	21.47	**28.09**
Group charges[2]	–	–	–	–	(2.60)	0.12	0.16	(0.04)	0.09	**–**
	15.14	16.27	16.95	18.10	15.96	21.66	21.26	30.68	21.56	**28.09**

Dividends (pence)	14.25	15.00	15.70	16.20	16.70	17.30	18.90	26.00	27.50	**29.00**
Share price (pence)[1]	425.0	529.0	530.0	498.0	530.0	629.0	540.0	650.0	690.0	**799.0**
(Discount)/premium (%)[1]	0.1	(2.4)	(2.3)	(5.1)	(11.4)	(6.0)	(12.1)	(7.4)	3.6	**1.4**
NAV at fair value (pence)[1]	424.7	541.8	542.3	524.5	598.5	669.5	614.1	702.2	666.2	**787.8**
Market capitalisation (£m)[1]	501.9	625.0	627.1	589.3	627.2	744.5	639.3	769.8	817.3	**982.1**

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 6 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.

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 have been removed (£34.1m) and substituted with the calculation of the fair value and surplus net assets of the business (£170 m). An adjustment of £50.2m 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 2021 of £964.5m or 787.83 pence per share.

	31 December 2021		31 December 2020	
	£000	Pence per share	£000	Pence per share
Net asset value (NAV) per Group statement of financial position	878,837	717.86	726,994	615.19
Fair valuation of IPS: EBITDA at a multiple of 10.8x (2020: 9.4x)	165,985	135.58	125,349	106.07
Surplus net assets	4,041	3.31	10,605	8.97
Fair value of IPS business	170,026	138.89	135,954	115.05
Removal of assets already included in NAV per financial statements	(34,141)	(27.89)	(23,547)	(19.93)
Fair value uplift for IPS business	135,885	111.00	112,407	95.12
Debt fair value adjustment	(50,229)	(41.03)	(52,182)	(44.16)
NAV at fair value	964,493	787.83	787,219	666.15

See commentary for the breakdown of the assets already included in the NAV per the financial statements.

Risk management

Our approach to risk

The Group's risk management and internal control framework is embedded in everyday operations and subject to regular enhancements in a continuous risk management process as demonstrated in the diagram below. Top-down Board-level oversight for the Investment Portfolio and IPS business is provided by the Audit and Risk Committee. The Executive Risk Committee has responsibility for the oversight of operational risk within the IPS business. Detailed, bottom-up risk identification and management is owned by individual business lines and overseen by the Group Risk Manager. This framework enables the Board to identify, evaluate and manage principal risks to support the delivery of long-term priorities. The Board recognises that there are certain risks which are inherent in the Group, 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.

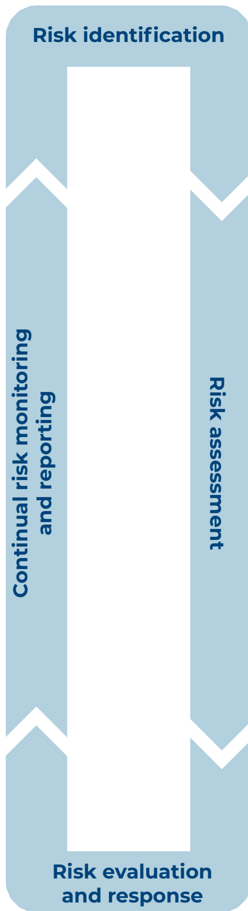
On an annual basis, the Audit and Risk Committee consider the risks to the Group and the adequacy of the controls in place to appropriately manage those risks. Consideration is also given to emerging risks to ensure that the risk management framework is updated to protect the business. Where there is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

Following the 2020 review of Group-wide risks and processes, we have continued to enhance our risk management framework. In Autumn 2021 we appointed a new Group Risk Manager, Vicky Skaife. We have also designed a new incident management system, which allows us to more easily identify, assess, evaluate, mitigate and report events in real-time.

RISK MANAGEMENT PROCESS AND GOVERNANCE OVERVIEW

Internal risk reporting	Parties involved	External reporting
Consolidated Group-level risks • Business area risk registers consolidated to draw out significant risks • Principal risks identified, including emerging risks • Review and agreement of the principal risks by the Executive Risk Committee • Review and approval by the Audit and Risk Committee	**Top-down** • The LDC plc Board • Group Audit and Risk Committee • Executive Risk Committee • Group Risk Manager	**Principal risks and uncertainties** • A summarised version of principal risks for external reporting • Review and approval by the Audit and Risk Committee and the Board
Business and functional risk registers • Continual review and assessment of business area risk registers and mitigating actions, including consideration of emerging risks, by the business and Group Risk Manager • Review and challenge of risk content and quality of mitigation plans by Group Risk Manager • Review and challenge of risks at Executive Risk Committee meetings	• Group Risk Manager • Business Units **Bottom-up**	
Real-time issues and areas of change • Monitoring of emerging areas of increasing significance to the Group and establishing sufficient mitigating actions		

Risk management process



Risk management continued

Categorisation of Group risks

The principal risks of the Law Debenture Group are split into three categories: Group risks, IPS risks and emerging risks.

The identified Group risks predominantly relate to the investment portfolio as that comprises c.82% of net asset value. We also identify IPS operational risks which could have a material impact on the IPS valuation and therefore the Group.

Given our objective to deliver sustainable long-term capital growth, we continually horizon scan for emerging risks which may impact our ability to deliver to shareholders.

Governance

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

Executive Risk Committee

The Executive Risk Committee is made up of the Executive Leadership team, supported by the Group Risk Manager, and meets at least quarterly to review business level risks, incidents, and ensure effective risk management oversight.

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 Units.

The Executive Risk Committee escalates risk events to the Audit and Risk Committee, as appropriate. The Group Risk Manager 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.

Photo credit: Hester Scotton

Risk management continued

Group risk summary and mitigating actions

PRINCIPAL GROUP 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 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 Group 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, such as: • Regular review of the investment managers' report including risk indicators. • Clear risk exposure limits at a stock and regional level which are monitored by Janus Henderson. • Open dialogue with the investment managers on their approach and performance. 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 represents 18% of the NAV and 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. 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. Material financial judgements are supported by advice and review from appropriately qualified independent advisors.	To mitigate these risks, Finance have implemented processes with embedded controls. 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. Additionally, the Board, Executive Leadership team, Business Heads and investment managers review and challenge financial information, giving collective ownership of the financial information. The financial statements in the Annual Report are audited by a reputable accounting firm. The NAV valuation is calculated internally, based on data reconciled to the custodian/depositary and Janus Henderson, using a specialist third party data source for the pricing and the NAV is reported to the London Stock Exchange and Morningstar daily.
3. Cyber, technology and Systems Risk	
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. This includes the systems of Janus Henderson, including business continuity/ disaster recovery incidents and wider control issues such as fraud or conflicts of interest.	Investment and increased use of cloud services across the Group continued in 2021 preparing us for sustainable, scalable technology growth in 2022 and beyond. Incident reporting procedures are in place as well as cyber insurance. We conduct regular penetration testing and take steps to address identified weaknesses. 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.

Risk management continued

IPS business risk summary and mitigating actions

IPS BUSINESS RISKS	MITIGATING ACTIVITIES
1. Strategic & Financial	
A strategic risk arises 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. Financial risk arises if the IPS business is not able to scale up and deliver on its growth plans to generate revenue growth, profitability, cost savings and react to any changes in market conditions.	To mitigate this strategic 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 three year financial budgeting and planning 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. To mitigate the financial risks, monthly management information is provided to the CEO and Business Heads to monitor and assess business performance.
2. Change Management	
IPS is in a period of operational and cultural change; new improved systems and technology, evolution of our culture and purchase of a new company secretarial business. We run the risk that the change does not meet its intended objective, is delivered late or over budget, or that management time is diverted away from business as usual to projects, to the detriment of clients, current systems or colleagues.	Governance is in place to provide oversight of operations across the IPS business including a monthly operations committee. New projects across the group are given oversight via the project committee. There is dedicated experienced project management resources across IT and operations teams. In order to ensure the integration of the new teams and new joiners, we have increased the headcount in our people team by three, including a Director of People Strategy and a dedicated recruiter.
3. Financial Crime NEW	
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. • 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. If they do not wish to report to any of these persons for any reason, they may report their concerns using our whistleblowing service provided by Safecall, which is available 24 hours a day. Reports using this channel may be made anonymously. • There are robust policies in place covering AML, fraud prevention, anti-bribery and corruption which are supported by group-wide interactive mandatory training modules. Specialist external training courses are also available to staff.

Risk management continued

Emerging risks and mitigating actions

EMERGING RISKS	MITIGATING ACTIVITIES
1. ESG Considerations NEW	
As ESG becomes an area of increased focus, we are yet to fully understand the risks to our stakeholders. There is also a significant uptick in the ESG regulatory landscape; we must ensure that we do not fall behind in meeting these requirements including climate and ESG-related targets.	The group is reviewing this and will publish the outcome from our ESG review on our Group website during 2022. This is being managed by regular discussion, led by the Group ESG Manager working with the Board, the ESG committee, finance and the General Counsel. Meetings have been scheduled throughout 2022 to ensure we are on track to meeting any mandatory requirements and also to consider and assess non-mandatory requirements.
2. Digital Disruptors and Change NEW	
For the IPS business, the prominence of digital applications and client portals could be a threat if we are unable to keep up with the pace of change resulting in losing new and existing customers.	In 2022, we will review and assess the possibilities of a more digitalised client proposition.

Our risk agenda 2022

The focus for 2022 and beyond will be to develop further efficiencies in the risk management process and development of our ESG reporting. A number of initiatives have been planned for 2022; the below lists some examples.

IPS strategy review

During the course of 2022, the Executive Leadership team and Board will be undertaking a strategic review of the IPS business. The key outputs of this will be the articulation of our vision to support the future growth of the business.

Development of risk management function

Building on the foundations of work completed in 2021 in line with the plan as agreed by the Chairman of the Audit and Risk Committee and the Executive Risk Committee, the Risk Management Policy will develop further following the appointment of a permanent Group Risk Manager in Autumn 2021.

Incident management system

A new incident management system will be launched Group-wide in Q1 2022 to facilitate the effective submission of and responses to risk incidents, including risk-determined workflows for resolution of incidents. The launch will be accompanied by a series of workshops for teams to refresh their understanding of risks and how to manage them.

ESG risk management

We will review ESG risk management alongside our sustainability reporting and will publish information on our website including setting out our forward-looking plan and how we will achieve it.

Viability statement

Viability statement

The UK Corporate Governance 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 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 12 months. Our stated financial objective is to deliver long-term capital growth in real terms and steadily increasing 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. 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 have 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 creates a stable capital basis, which enables our investment manager to take a longer-term view in their construction and management of the portfolio. This significantly mitigates the risk to the Group of potential liquidity issues should 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 mainly UK-based equity portfolio with a diversified revenue stream arising from the IPS business. As demontrated by both our long-term performance 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. Over a three year period, the share-price total return is 67.6%. Additionally, the NAV total return with debt and IPS at fair value is 47.3%.
- The IPS business holds enough working capital to meet any short-term requirements of the Group and provides a steady, largely recurring, flow of income. In addition, the majority of the portfolio is invested in UK listed securities which are traded on major stock exchanges, providing the Group with the ability to quickly liquidate assets, should the need arise. This mitigates potential risks to liquidity and the potential inability to meet our obligations.

  A related risk is a breach of our debt covenants resulting in a requirement for the Group to repay the debentures at short notice. Whilst the Board acknowledges this risk, the uncertainty arising due to the Covid-19 pandemic demonstrates the Group's ability to navigate these challenges. At the height of market decline on 23 March 2020, the Group maintained significant headroom on all covenants.
- The Company has an ongoing charge of 0.50%, 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. This supports our ability to meet our legal and regulatory requirements and acts as a control to both verify the existence of our assets and further safeguard the interests of our shareholders.
- The Group's cash is all held with banks approved by the Board. The Group's total cash balance, including money market funds, at 31 December 2021 was £25.5m (30 December 2020: £41.3m), with IPS holding a further £9.9m.
- There is long-term borrowing in place comprising of four debentures:

Maturity date	Amount	Interest
2034	£40m	6.125%
2041	£20m	2.54%
2045	£75m	3.77%
2050	£30m	2.53%
Total	£165m	Weighted average: 3.966%

  The weighted average cost of borrowing is 3.966%. Each debenture is subject to a formal agreement, including financial covenants, which the Company has complied with in full during the year. As at the end of December 2021, net gearing was 13%, which is well within the typical operating range of 10%-20%.
- During January 2021, the Company also made arrangements to put in place a £50m unsecured overdraft facility with HSBC. Whilst available, this facility is currently not in use but provides further mitigation of any liquidity risk.
- The Board reviews the investment trust's performance including revenue forecasts, along with other key metrics such as gearing at each Board meeting and receives monthly financial reporting to monitor and manage the principle risk relating to investment performance.

In addition to this, the Board carries out a robust assessment of our principal risks and uncertainties which could threaten the Company's business model. The Board has assessed the emerging risks which may impact the operations of the Group and will continue to actively review the likley impact of these potential risks. This is set out at page 37.

In light of the current conditions, the Board has considered the Company's current financial position and the potential impact

Viability statement continued

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.

Balance sheet resilience

As at 31 December 2021, Law Debenture Corporation held total investments, including cash and the IPS business (based on the valuation as 31 December 2021), of £1.178bn (31 December 2020: £966m). With the exception of the IPS business, the majority of these assets are liquid and could be sold down within a short period of time.

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 31 December 2021, the Group holds cash of £35.8m (31 December 2020: £41.7m). In addition to this, the Company has an overdraft facility of £50m to protect against any significant fall in cash inflows.


Photo credit: Youssef Sallam

Section 172(1) Statement

The Board is responsible for the overall strategy and overseeing the management of the Group, setting investment principles and ensuring that the Company is acting in accordance with its legal and regulatory obligations. The global pandemic has continued to impact the way in which businesses operate and in response the Board has adopted a hybrid approach to meetings as the year has progressed. During the course of 2021, the Board met ten times.

As reported on page 30, the Company's purpose is to deliver peace of mind for our shareholders, clients and people at the portfolio and IPS business levels, each of whom the Company significantly relies on to deliver its objective to achieve long-term capital growth in real terms and steadily increasing income. The Company also relies on its principal service providers, community and the health of its environment to contribute to the infrastructure and sustainability of its operations. It is this purpose that fuels our strategy to deliver on the stated objective through the unique combination of our portfolio and IPS business and living our core values as stated on page 30. Our purpose, values and strategy are inextricably linked and ingrained in our evolving culture and reflected in our policies, practices and high standards of business conduct.

In discharging its responsibilities, the Board takes into account the Group's purpose, values and culture and acts in good faith to promote the long-term success of the Company, which includes oversight of stakeholder engagement and ensuring that the Company can fulfil its obligations to key stakeholders. We believe that this is pivotal to our ability to drive value creation over the longer-term. Those impacted by the Company's activities and considered key to the Company's operations can be grouped into the following five main categories: shareholders, clients, employees, principal service providers and the community and the environment.

KEY ● Shareholders ● Clients ● Employees ● Principal service providers ● Community and the environment

Shareholders

When making decisions, the Board considers the interests of our shareholder group and the need to act fairly on behalf of all members of the Company. The Board communicates with its institutional and retail shareholders in a process which is subject to evolution as we respond both to the needs of our shareholders and to external factors, such as the global pandemic. Engagement activities employed during 2021 may be found at pages 46 and 56 of this statement and the Directors' report, respectively.

The Board communicates with its shareholders as detailed in the Directors' report on page 56. We actively engage with any queries our shareholders raise on the information we publish. In addition, meetings are held with shareholders throughout the year, which are attended by Executive Directors along with representatives from the investment manager. During 2021, meetings with investors, including the AGM, have been largely virtual. This provided a forum for our shareholders to engage on all Group matters, including remuneration. However, assuming government guidelines permit, the Board plans to hold the AGM in a hybrid format, giving shareholders the option to either attend in person at our offices or join virtually. Key topics of discussion during 2021 included the issuance of shares, review of the Group's capital structure, our ESG proposition, IPS strategy and the impact on the valuation of the IPS business, performance against benchmark, prospects for the UK economy and the investment style and stock selection.

The Board also takes into consideration the views of its individual shareholder base and following requests for less circulation of hardcopy communications, the Board approved the implementation of deemed consent as described on page 56.

Clients

Ensuring that we provide peace of mind to our clients through the delivery of an excellent service 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. Initiatives have included hiring two new members of the business development team, growth in our product offering and investment in technology.

The Board receives regular presentations from each IPS Business Head on a rolling basis throughout the year, which includes details of client relationship management initiatives and proposed new service offerings to expand the client base.

In 2021, we adopted a hybrid approach to client care meetings to understand how we can better serve our clients. We have also held a range of client events, both virtually and in-person, to ensure that there is a regular, more informal channel of communication.

Employees

During 2021, the Board had oversight of a project to articulate the culture and values of our business. This project was delivered through a series of workshops, focus groups and wider engagement sessions which sought to ensure that all our people have a voice in the organisation. This is further supported by quarterly staff surveys to understand what matters to our people. In direct response to the feedback received, we have invested in developing career frameworks, a review of the contracts and benefits offered to our people to include health insurance for all and hybrid working and further investment in our HR and IT infrastructure.

Section 172(1) Statement continued

Employees continued

The Board has also hosted a lunch for staff in our Manchester office to promote an open channel of communication. This is in addition to the all-staff hybrid "townhall" presentations from the Executives and investment manager following the half year and annual results. The Chair of the Audit and Risk Committee has made himself available to staff as an independent escalation channel to complement our whistleblowing service, which enables employees to deal with issues of concern to them, whether work or domestic related. The Board continues to see significant value in a Non-Executive Director who is designated to oversee the well-being of our people. With Mark Bridgeman stepping down from the Board in April 2022, we are delighted to announce that Clare Askem will succeed him in this role.

Principal 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. Further detail on how the Board has supported the investment manager following engagement, may be found in the table below outlining key strategic decisions impacting stakeholders.

In addition to this, the Board view our other key service providers to be our corporate broker, our custodian, our depository and those organisations charged with provision of the IPS infrastructure. The Board and Executive Leadership team have sought to have regular interaction with each of these providers to ensure an open and effective flow of information.

Community and the environment

The Board recognises the increasing importance of ESG factors to our community, our clients, our people and the environment. In the 2020 Annual Report, we committed to enhancing our reporting on the ESG impact of the Group on our community and the environment. For the first time, we have included a specific section within our Annual Report (see page 48) explaining our position and the work we do on this topic, which includes actively engaging with our investment managers on ESG factors, introducing a Charity Community Group and supporting the Ambitious about Autism Internship programme.

We have also sought to reduce our day-to-day impact on the environment. The most significant investment was the move to our new head offices at 100 Bishopsgate, London, which has been purposefully designed to have a reduced impact on the environment. The Executive Leadership team have also introduced a paperless working initiative and increased recycling in all our offices.

The Board and the Executive Leadership team are unaware of any human rights issues that might arise from its activities, mindful of the need to act responsibly as an institutional shareholder (as described on page 34).

Case Study: s172 case study on employee engagement

Our culture and values

In 2021, we embarked on an ambitious project to re-calibrate and articulate the purpose, values and cultural ambition of our 132-year old business. We began with an audit of the current cultural norms, which took into account the challenges faced by prolonged remote working and the near doubling of our headcount since lockdown began (made up of c.50 new colleagues following the purchase of CSS in January 2021 and c.50 direct hires). Once we had established the existing culture, we were able to set ambitious goals for what we wanted the culture to be by 2025 and begin to think about the behaviours and values we needed to move us to that point. This was done via a variety of interviews, workshops and focus groups which involved well over half of our colleagues from all levels in the business and across all geographies.

Having articulated our purpose and values, we were delighted to welcome colleagues back to the offices in July with a firmwide 'culture week', filled with interesting talks, social events and training sessions all aligned to making LawDeb *the business we collectively want* it to be. Off the back of this work, a number of grass roots community groups have been established, all of which increase our sense of inclusion and belonging (including LGBTQ+, sports and social, and a charity committee), as well as some more formal programmes such as our Employ Autism internship, our partnership with Greenwich University to mentor first generation university students, and our new ESG Committee.

The leadership team is fully committed to continuing this cultural journey and embedding the values in everything we do. We believe that this will deliver long-term sustainable growth in our IPS business and help the Board to steer the wider Group to meet our objective for shareholders.

Employ Autism is part of Ambitious about Autism, the national charity for autistic children and young people.

Section 172(1) Statement continued

Key priorities and main methods of engagement with stakeholders in 2021

Stakeholders	Key priorities	Engagement activities in 2021
Shareholders Investment from shareholders makes up the majority of the Company's capital, funding the principal investment activities. Shareholders also hold the Board accountable to its investment and governance objectives.	To deliver against our stated objective to provide long-term capital growth in real terms and a steadily increasing income.	Annual and Half Year Reports AGM Investor presentations Individual shareholder meetings Analyst meetings Daily NAV publications Monthly factsheets
Clients Clients help to create, maintain and grow demand for our IPS services. Their feedback is encouraged to help us continue to improve as a business.	To seek to provide peace of mind to our clients by delivering an excellent service.	Client care meetings Hybrid approach to client events Lens photography competition Summer drinks Annual Pensions Debate
Employees Our people are key to our IPS operations and we rely on their support and expertise to provide exemplary services to our clients.	To provide a diverse and inclusive workplace, which supports our people to grow their careers in a way that is both meaningful to them and promotes the delivery of our long-term strategy.	Articulation of culture and values Quarterly people surveys Community groups to bring our people together Review of benefits and contracts Team and companywide events
Principal service providers We rely on our service providers to manage our portfolio, and provide the infrastructure and advice to meet our shareholders' expectations, service our client base and remain compliant with legal and regulatory requirements.	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.	Investment managers are invited to attend Board meetings Quarterly meetings with our custodian and depository Quarterly meetings with our corporate broker Active engagement with large suppliers of the IPS infrastructure
Community and the environment We recognise that we are stewards of our community and the environment and that investment geared toward these helps to improve economic stability and build a more inclusive community. This in turn contributes to the Company's sustainability and subsequently helps us to deliver on our objective for our shareholders in light of our key stakeholders' interests.	To act responsibly as an institutional shareholder and to ensure we have a positive impact on the Company's operations, the community and our environment.	Supported the Ambitious about Autism Internship programme Mentoring programme with widening participation university Charity group supporting two named charities Paperless initiative Implementation of deemed consent Energy efficient head office building in London and in Manchester Increased recycling in all offices

Section 172(1) Statement continued

Key strategic decisions impacting stakeholders in 2021

Where appropriate, information or feedback received from shareholders and other key stakeholders are routinely reported to the Board by the Executive Leadership team, the Company Secretary or IPS Business Heads. At the end of the year, the Board also reviewed the stakeholder engagement activities employed by the Board, the Executive and the Corporation's advisors on behalf of the Company and concluded that they were effective.

During the year, 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. Each decision taken by the Board is with a view to ensuring that we deliver on our commitment to our shareholders to deliver long-term capital growth and steadily increasing income. 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.

KEY ● Shareholders ● Clients ● Employees ● Principal service providers ● Community and the environment

1) Review of our capital structure

In 2021 we reviewed our capital structure and took the decisions to issue shares at a premium to NAV, when demand allowed, and to issue two new tranches of long-term debt resulting in a lower net cost of borrowing. Both decisions were taken to facilitate further investment in our portfolio and the IPS business, enhancing our ability to continue to deliver on our stated objective for our shareholders.

2) Review of our investment strategy and ESG approach

Through the review of our capital structure, the Board has been instrumental in supporting our investment manager's objective to be a net investor in the UK market. The Board also supported the investment manager's strategy to make a number of smaller investments by raising the limit on the number of investments which can be held.

The Board recognises the increasing importance of ESG factors to the environment, the community and to the delivery of our stated objective of long-term sustainable growth. The Board has actively engaged in considering our ESG proposition and will monitor the ESG performance of the portfolio at each Board meeting. The Board has supported the Executive Directors' decision to appoint an individual with responsibility for overseeing the ESG positioning of the Group and to drive the enhancement of our ESG disclosures.

3) Evolved our Board composition

We are sad to announce that Mark Bridgeman will be stepping down as a member of the Board and Chair of the Audit and Risk Committee at the end of the 2022 AGM. Pars Purewal was appointed to the Board on 16 December 2021 and is expected to succeed Mark Bridgeman as Audit and Risk Committee Chair, following his retirement. To ensure a smooth transition, Pars began to work with the Board in December 2021. As a qualified accountant and a former partner at PwC, Pars has a strong understanding of both the investment trust market and the operational aspects of a professional services business.

We were also delighted to welcome Clare Askem to the Board in June 2021. Clare brings with her a wealth of commercial expertise which will support the growth of our IPS business and its operations. Clare will succeed Mark as the designated Non-Executive Director for workforce engagement, following his retirement from the Board in April 2022.

Both directors bring additional skills and experience to the Board, which complement its strategic goals geared towards the continued achievement of our objective for shareholders and the long-term success of the Company for the benefit of its members as a whole.

4) Continued investment in delivering long-term IPS growth

At the start of 2021, the Board oversaw the completion of the acquisition of CSS from Eversheds Sutherland (International) LLP. This strategic acquisition strengthened our corporate services business.

The Board has also supported the Executive Directors in their decisions to appoint Joanna Lewis as CEO of our Safecall business and Sankar Mahalingham as Head of Pegasus. Vicky Paramour has been promoted to Managing Director of the pensions business. These appointments, along with further investment in our client facing teams and central functions, will enhance our client proposition and facilitate long-term IPS growth.

Environmental, Social and Governance (ESG)

Group approach to ESG

We wholeheartedly believe ESG underpins sustainable long-term returns for our shareholders, as well as promoting behaviours aligned to our corporate values.

ESG issues are integrated into our investment analysis and decision-making as we believe it delivers a resilient portfolio and better outcomes for our shareholders, community and the environment.

Our purpose and values

Our IPS colleagues are afforded peace of mind that they are part of a team which is fair, ethical and committed to doing the right thing through our corporate values of:

- We believe it's possible.
- We make change happen.
- We are better together.
- We never stop learning.

These values create an environment where we strive to do the right thing for our stakeholders as well as each other. Our values are the building blocks for a successful and sustainable future, and will facilitate meeting our Group goals alongside our ESG objectives.

What we achieved in 2021

Living our values, we are in the process of learning and implementing meaningful change, which drives our ESG agenda in 2021. We have delivered the following:

- Appointed a Group ESG Manager.
- Created an ESG Committee.
- Introduced portfolio level ESG risk reporting.
- Sponsored a colleague to begin their Masters in Corporate Responsibility and Sustainability.
- Produced our first internal sustainability report.
- Published our ESG Statement on the AIC website.
- Engaged with ESG rating providers.
- Moved the majority of our staff to BREEAM (Building Research Establishment's Environmental Assessment Method) Excellent and Active Score Gold offices at our London head office and new Manchester site.

Looking ahead to 2022

In 2022, we are committed to make further change happen by taking more action and enhancing the availability of our ESG information in the public domain by:

- Complying with TCFD reporting requirements by 2022 year-end.
- Introducing an ESG section to our website.
- Publishing our ESG reports and related policies, including our diversity policy, anti-bribery and corruption policy and environmental usage data.

ESG considerations when investing

Our investment managers, consider ESG factors directly and with the support of the experienced Janus Henderson responsible investing team. They are always looking for companies that are actively seeking to address ESG issues, as seen in the two case studies below. They are not afraid to exit positions where management fail to deliver expected improvements.

We continue to avoid mandating investment decisions based purely on published ESG metrics. We believe that engaging in active dialogue, understanding individual company nuances and monitoring for improvements where applicable, provides the best outcomes for our shareholders and and for society.

During the year, the Board introduced recurring quantitative ESG metric reporting for the portfolio. The inclusion of this data provokes important discussion and debate and allows us to ensure the portfolio continues to deliver against the commitments made to our shareholders. As the data available becomes more reliable and the asset management industry becomes more sophisticated and experienced in analysing the ESG impact of investing, we will continue to evolve our approach.

Case Study: Accsys Technologies – identifying investment opportunities in sustainability innovation

Law Debenture invests in Accsys Technologies. This company manufactures products that transform wood making it more durable; this is done through acetylation. This treatment prevents cells in the wood from being able to absorb water, thereby turning soft wood into hard wood.

Door and window frames treated with the product will last many years longer when compared with the same wood untreated. This is a more sustainable way for the construction industry to use wood products. Wood is a more sustainable construction material than uPVC. However historically the problem for builders has been how quickly wooden window frames needed to be replaced – Accsys products have now changed this.

Environmental, Social and Governance (ESG) continued

Case Study: Shell – demonstration of identifying material risks and active engagement

Shell currently generates the majority of its earnings from fossil fuels. Therefore as the world de-carbonises there is a risk to future group earnings and cash generation. Shell are actively seeking to address this risk by diverting a material portion of capital expenditure towards producing and distributing low-carbon power (such as hydrogen and biofuels), while shifting their existing mix of hydrocarbon production towards gas. This is likely to play a significant role as a transition fuel while lower carbon alternatives reach commercial scale. In making these changes to the portfolio they have aligned themselves with the Paris Agreement, committing to becoming a net zero emissions business by 2050. It is the cash generation of the existing fossil fuels business that is enabling Shell to make this transition towards net zero. In our view fossil fuel companies that are actively seeking to address the issues, have a material role to play in reaching net zero emissions, as a result of their cash generation, existing expertise and distribution networks.

We have actively engaged with the Shell Board this year, which included a discussion on how to balance returns from renewables versus their upstream portfolio, and the recent suggestions of activist investor Third Point on the potential to split into separate businesses. We continue to hold the view that active engagement with companies like Shell achieves more than divestment.

Environmental

Energy use and environmental considerations

Utilities consumption and business travel are critical aspects of our environmental and carbon footprints and, as with many other businesses, have materially reduced over the last two years as a result of the restrictions brought about by the Covid-19 pandemic. Our ambition is to retain these reduced levels of carbon impact as restrictions are lifted be that through more thoughtful usage or proactive offsetting practices.

A significant portion of the Group's carbon emissions arises from its consumption of energy in maintaining its offices. Using conversion factors published by the UK Department for Business, Energy and Industrial Strategy, Scope 1 and 2 emissions for the year to 31 December 2021 were 138.50 tonnes of CO2e (2020: 179.65 tonnes of CO2e). This equates to 0.0028 tonnes of CO2e per £000 of IPS revenue (2020: 0.0059 tonnes of CO2e). The vast majority of useage and emissions are from UK-based operations. The Group does not yet calculate Scope 3 emissions. None of the entities within the Group (subsidiaries or parent company) meet the streamlined energy and carbon reporting (SECR) regulations at an individual level.

Since moving head office in late 2020, we operate a largely paperless environment, having reduced our printers from 9 to 3. Both our London and Manchester premises are BREEAM sustainable offices including solar energy hot water panels, automated lighting and water-efficient systems. Moving to a more energy efficient head office has been a significant driver in our year-on-year decrease in carbon footprint. Meeting rooms are set up to facilitate paperless and virtual meetings with the use of technology.

We have implemented deemed consent regarding hard copies of the Annual Report, such that the majority of our shareholders will now receive their Annual Reports digitally. This reduces the number of printed Annual Reports and further reduces our carbon footprint.

Preparing for TCFD

Investment trusts are out of scope for 2021 TCFD reporting. However, planning is underway to provide these disclosures in the 2022 Annual Report. Progress against this goal will be tracked and reviewed at least quarterly, with an update provided to both the Executive Leadership team and Board at least annually.

IPS supporting ESG in capital markets

Within our IPS business our corporate trust team acts as independent corporate trustee across the full spectrum of capital markets and debt financing. The corporate trust team also plays an integral role in bespoke trust arrangements.

The corporate trust team is proud to have facilitated and acted on an increasing number of transactions aligned to ESG values and goals. These transactions have covered a wide variety of sectors and locations including the installation of wind farms in Lithuania, development of sustainable waste recycling systems in Italy and the first sustainability linked bond in the UK social housing sector.

Case Study: Corporate trust ESG transactions

Green energy: Green Lucca S.p.A.'s €72 million green bond offering is the first "Green Bond" issuance by the solar power company used to refinance the group's existing debt as well as provide finance for the purchase of new photovoltaic systems. The proceeds of the Green Bond will be used in line with the "Green Bond Principles" established by the International Capital Markets Association (ICMA).

Social housing bonds: L&Q £300 million sustainability linked bond (SLB). The corporate trust team are very pleased to have acted as bond trustee for the first of its kind in the social housing sector which is directly linked to the housing association achieving a set of ambitious social and environmental targets including reducing scope 1 and 2 greenhouse gas emissions by 20% and building 8,000 new homes of which 50% are affordable.

Environmental, Social and Governance (ESG) continued

Social

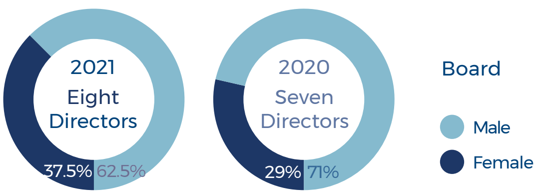
Diversity and inclusion

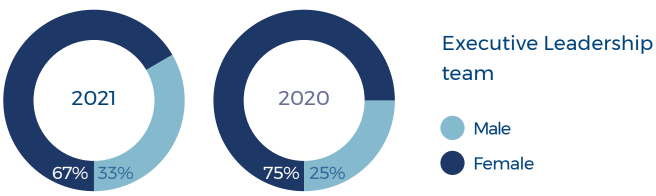
Following a number of senior appointments and promotions over the last two years, our Board and Executive Leadership team compositions reflects a diverse cross section of gender, ethnicity, age and background. We are proud of the progress we have made and believe we are reaping the rewards of genuine diversity of thought. We were particularly pleased to have been ranked 2nd in the FTSE 250 Rankings for Women on Boards and in Leadership in the inaugural 2021 report by the FTSE Women Leaders Review, announced on 22 February 2022. We fully support all the recommendations in this report and are proud to have a woman Finance Director, in post since 2020 (recommended in this report to be appointed by the end of 2025). For more information on the progress of our diversity and inclusion objectives please refer to pages 61 and 62 of our corporate governance report.

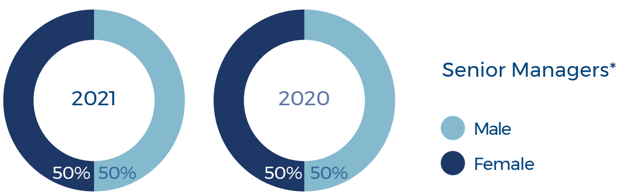
In 2021, IPS underwent an extensive project to clarify, articulate and embed its corporate values, supported by a culture week. This has resulted in the launch of a number of internal community groups designed to improve diversity, inclusion and togetherness at work. These include:

- Charity Committee
- LGBT+ & Allies
- Running Club
- Sustainability Committee
- V Community (diversity)
- Wellbeing Community

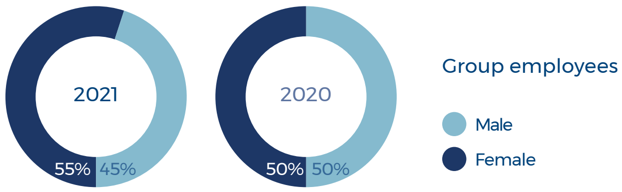
The Group does not currently meet the thresholds to formally publish its gender pay gap, but we continue to review this data internally and are delighted to share the following as at 31 December 2021:







*Senior Managers are 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.



Case Study: Employ Autism internship

In 2021, the Group employed two interns through the University of Greenwich and the Employ Autism programme. Employ Autism aims to break down barriers to work that autistic people can experience by increasing employers' confidence and understanding of autism and neurodiversity.

Following the success of this scheme, the Group offered a permanent role to one of the participants who joined in September 2021. The Group is excited to build on this relationship and looks forward to welcoming another intake in 2022.

Social impact

During 2021, we focused on practical and meaningful ways to make social impact where it relates to our corporate values. These included:

- Launching our internships with Employ Autism, supporting our value of "better together" – see the case study above.
- Greenwich university mentoring – supporting social mobility for first generation university students by launching our mentoring programme to inspire and equip them for their future careers, supporting our value of "believe it's possible".
- Providing workplace training and hands-on experience for placement students, living our values of "never stop learning".
- Supporting our nominated charities of the year, the Samaritans and Marie Curie via a wide variety of activities.

Human rights and modern slavery

The Group believes in the importance of doing business in ways that value and respect the human rights of our staff, customers and business partners.

The Group will not knowingly engage in companies that use unlawful child labour or forced labour, nor will it knowingly accept products or services from suppliers that employ or utilise child labour or forced labour.

During 2021, we changed our cleaning service provider in our London office to one committed to paying all of its staff at least the London Living Wage.

Pursuant to the UK Modern Slavery Act, our Modern Slavery Statement is published on our website.

Environmental, Social and Governance (ESG) continued

Governance

Good governance is central to Law Debenture.

As a FTSE 250 PLC, we apply requirements under the UK Corporate Governance Code and the Financial Conduct Authority's Listing Rules, which include: reviewing the effectiveness of our external auditors, board succession, board diversity and an independent Remuneration Committee – see our corporate governance report on pages 58 to 63.

As an investment trust, we apply the UK Stewardship Code which sets out governance and investment approaches and engagement – see the the section on our responsibilities as an institutional shareholder on page 34.

IPS as a provider of governance services

From its origins over 130 years ago Law Debenture has diversified to become a group with a range of governance services.

Across its 25 trustee directors, Law Debenture sits on pension scheme boards with a total assets under management of £300bn and is leading the industry in terms of responsible investing and stewardship. With their long-term liabilities, pension funds are inevitably exposed to the risk of unsustainable practices but are also able to influence the future through appropriate capital allocation and stewardship. We have worked with both defined benefit and defined contribution schemes to switch index tracking equity to products that track carbon transition indices. We have steered boards towards sustainable credit and infrastructure and invested in funds with impact objectives. The previous case study demonstrates how we are supporting our Pension Scheme clients to meet their TCFD disclosure requirements.

Within our company secretarial services (CSS) team, ESG continues to gain prominence, particularly across the financial services governance (FSG) client base. Our CSS business supports clients with their governance needs which are connected to their broader ESG programmes and change agendas. The CSS team works closely with stakeholders in client firms and the FSG team directly supports clients with their dedicated sustainability and ESG related forums and committees. As the ESG landscape evolves and client needs grow, CSS will continue to adapt alongside clients to provide more tailored support, expertise and guidance in this area.

Our Safecall whistleblowing business works in partnership with organsiations by giving their employees and key stakeholders a voice to speak out on vital issues. Experienced call handlers take telephone calls and inbound reports concerning human rights & labour, health & safety and modern slavery, alongside issues surrounding anti-bribery & corruption, diversity, cyber security, corporate behaviour and gender pay gaps.

The strength of an organisation's ethics culture is measured through multiple indicators of employee behaviours and includes reporting and responding. Our whistleblowing hotline encourages and embraces a culture of speaking up, allowing organisations to demonstrate how they promote compliance and best practice.

Law Debenture ESG Committee

In 2021 we launched a formal ESG Committee which reports to the Executive Leadership team. This Committee works with the Group ESG Manager to drive forward the Group's commitment to the environment, social responsibility, corporate governance and sustainability.

Whilst we have a number of ESG-related internal policies, we have not yet made them public. Our plan for 2022 include the publication of policies to allow our stakeholders greater oversight of the internal policies and governance frameworks currently in place.

By order of the Board

Law Debenture Corporate Services Limited
Company Secretary
24 February 2022

Case Study: Supporting pension schemes in TCFD

Larger UK pension schemes are required to meet the Taskforce for Climate-Related Financial Disclosures' (TCFD) reporting requirements. The Department for Work and Pensions (DWP) has had to consult the industry on how to apply the disclosures and Law Debenture is the only firm of professional trustees that engaged with these consultations. We submitted detailed responses and then, on publication of the statutory guidelines, quickly highlighted some unintended consequences of the drafting. This enabled the DWP to address the issues before the wider industry was even aware of them.

Law Debenture sits on the board of 55 schemes caught in the first and second wave of TCFD. An example is the Marks & Spencer Pension Scheme.

Simon Lee, Head of the M&S Pension Trust and Chief Investment Officer, commented, *"Law Debenture have been invaluable in helping the M&S Pension Scheme understand the implications of the TCFD regulations and effectively and efficiently helped ready the Scheme for its first year of TCFD compliance. The Law Debenture directors not only care passionately about getting this right, but have the practical insights and experience that are needed to do it well. We look forward to announcing our net zero carbon target and the continuing progress towards ensuring sustainability across the Scheme's investments and its wider governance arrangements, as Law Debenture chair our ESG Committee."*

The Board

Robert Hingley

Chairman, 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 International Limited and chairman of Governors at North London Collegiate School. He is also a non-executive director of Marathon Asset Management and a member of the Takeover Panel.

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

A R N **Tim Bond** Senior Independent Director

Appointed to the Board on 14 April 2015 — Tim is currently a partner at 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.

A R N **Mark Bridgeman** Independent Non-Executive Director

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 global head of research. Previous roles at Schroders included head of Pan European research, head of global sector research and emerging markets fund manager. He was also a non-executive director at JP Morgan Brazil Investment Trust plc and Country Land and Business Association Limited until November 2020 and November 2021, respectively. During his career, he enjoyed successful long-term secondments in Australia and the United States. Mark is currently a non-executive director of Utilico Emerging Markets Trust plc and is also on the board of two charities.

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

A R N **Pars Purewal** Independent Non-Executive Director

Appointed to the Board on 16 December 2021 — After a career spanning more than thirty-five years, Pars retired as a senior partner of PriceWaterhouseCoopers (PwC) in June 2019. His experience included being PwC's UK Asset Management leader for ten years and finance partner for both asset and wealth management. He is a Fellow of the ICAEW and also a non-executive director of Brewin Dolphin Holdings PLC, audit committee chair of Federated Hermes International and board chair of Beyond Food Foundation.

Key skills and experience contributed to the Company include an in-depth knowledge of the financial services sector, audit and accounting, fund management, risk management and compliance.

R A N **Claire Finn** Independent Non-Executive Director

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, St. Joseph's Catholic Primary School, Octopus Apollo VCT and Baillie Gifford Shin Nippon Public Limited Company.

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

A R N **Clare Askem** Independent Non-Executive Director

Appointed to the Board on 10 June 2021 — Clare has extensive background in strategic development and in-depth experience in business change and digital transformation. She is also a non-executive director of Portmeirion Group PLC, Studio Retail Group plc and IG Design Group plc. Previously, Clare was managing director of Habitat at Sainsbury plc and was a director on the Sainsbury's Argos operating board. Prior to her role at Habitat, Clare held a number of executive positions at Home Retail Group plc including director of strategic development, chair of the group's technology committee and director on the operating board for Homebase. Prior to these roles Clare also held other executive positions at Dixons Carphone plc.

Key skills and experience contributed to the Company include strategy, corporate transactions and digital marketing and distribution.

Photo credit: Charlotte Locke

Directors' report

The Directors present their Annual Report and the audited financial statements for the year ended 31 December 2021. 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 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 on page 31.

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 2021 was 28.09p per share. The Directors recommend a final dividend of 8.375p per share, which, together with the three interim dividends of 6.875p paid in each of July and October 2021 and January 2022, will produce a total of 29.0p per share (2020: 27.5p). The final dividend will be paid on 14 April 2022 to holders on the register on the record date as at 11 March 2022. After deduction of the interim and final dividends of £35.7m (2020: £32.6m), consolidated revenue reserves increased by £4.4m (2020: decreased by £12.4m).

Directors

The Directors at the date of this report are listed on pages 52 and 53. All Directors held office throughout the year other than Clare Askem and Pars Purewal, who were appointed on 10 June 2021 and 16 December 2021, respectively. Robert Laing remained a Director of the Company until his retirement at the end of the 2021 AGM.

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 AGM. 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 52 and 53. As mentioned in the Chairman's statement, after nine years of service, Mark Bridgeman will be retiring 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 that 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 5, page 110
9.8.4 (7)	Allotment of equity securities	Note 18, page 122
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 https://www.lawdebenture.com/investment-trust/shareholder-information/corporate-governance/the-aifmd.

The AIFMD requires us to report on 'leverage'. This is slightly different from gearing (refer to page 134), 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

Directors' report continued

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, 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 2021, the leverage reported under the gross method was 0.99, and under the net method was 1.02.

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 throughout the strategic report on pages 6 to 51.

Repurchase and issue of shares

At the 2021 AGM, the Directors were given power to buy back up to 17,756,514 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 2022 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 2022 AGM.

The Directors were also given power to allot up to 11,845,573 ordinary shares at the 2021 AGM. From the 2021 AGM to the date of this report the Company issued a total of 4.5m ordinary shares under its share issuance programme, launched in February 2021 our SAYE scheme. The authority will expire at the 2022 AGM at which the Company intends to seek shareholder approval to renew its powers to issue shares up to 10% of the Company's share capital in issue at 24 February 2022.

Donations

The Company made no political or charitable donations during the year (2020: £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 2021, there were 122,915,835 ordinary shares in issue with 122,915,835 voting rights. Note 18 includes details of share capital changes in the year.

As at 24 February 2022, 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 30 and 122.

Shareholder relations

The Company encourages communication between management and shareholders on matters of mutual interest. All shareholders 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. Following feedback from some of our individual shareholders, we have now implemented deemed consent where shareholders will be deemed to have consented to receive communications from the Company electronically unless our registrar is otherwise notified in writing. In addition to periodic regulatory announcements published via the London Stock Exchange, the Company publishes a monthly factsheet on its website about the investment portfolio performance. Other engagement activities undertaken during 2021 may be found on page 46 of the Section 172(1) Statement.

Investment managers – interests held

Laura Foll held 13,650 shares in the Company as at 31 December 2021 (2020: 6,750). James Henderson did not have a beneficial interest as at 31 December 2021 (2020: nil), although persons connected to him had an interest of 134,000 shares (2020: 134,000 shares). In addition, a charity with which James Henderson has non-beneficial connections owns 117,000 shares (2020: 117,000 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 276,612 shares in the Company as at 31 December 2021 (2020: 262,519 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, paper copies of the Annual Report are only 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 2021 were:

Date of grant	Number of option holders	Shares under option	Exercise price
23 August 2016	0	0	495.75p
15 August 2017	10	16,137	594.75p
15 August 2018	16	37,728	606.00p
14 August 2019	13	23,455	592.00p
26 August 2020	19	48,691	539.00p
1 September 2021	35	50,736	778.00p

The 2012 SAYE scheme expires in April 2022. New 2022 SAYE scheme rules will be put to shareholders for approval, at the upcoming AGM as detailed in the notice of AGM. The new rules will be available for inspection at the Company's registered office until

Directors’ report continued

the conclusion of the 2022 AGM and will be available for viewing on the Financial Conduct Authority’s National Storage Mechanism.

Inspection of the new rules 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 the new scheme rules, you should email TSU.cosec@lawdeb.com to arrange an appointment.

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 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

Following a competitive audit tender process overseen by the Company’s Audit and Risk Committee, Deloitte LLP were engaged as the Company’s new external auditor in October 2021. A resolution recommending their appointment will be proposed at the upcoming AGM.

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.

By order of the Board

Law Debenture Corporate Services Limited
Company Secretary
24 February 2022

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 Financial Reporting Council (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 6 to 51.

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 52 and 53 of the Annual Report. Clare Askem and Pars Purewal were appointed as Non-Executive Directors on 10 June 2021 and 16 December 2021, respectively.

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, stakeholder engagement and 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 also ensures that the interests of the Company's institutional and retail shareholders are tabled for discussion, to further the Board's understanding of their views and to garner responses, where appropriate.

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. Where appropriate, the Chairman also holds meetings with the Non-Executive Directors without the Executive Directors present.

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.

	Board	Remuneration	Audit and Risk	Nomination
Number of meetings in the year	10	6	6	2
Meetings attended by:				
Denis Jackson	10	–	–	–
Trish Houston	10	–	–	–
Robert Hingley	10	6	–	2
Tim Bond	10	6	6	2
Mark Bridgeman	10	6	6	2
Pars Purewal	1	1	1	1
Claire Finn	10	6	6	2
Clare Askem	5	1	2	1
Robert Laing	4	4	2	1

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

Pars Purewal was appointed to the Board and its Committees on 16 December 2021, and was present at all meetings following his appointment.

Clare Askem was appointed to the Board on 10 June 2021 and to its Committees on 27 July 2021, and was present at all meetings following those appointments.

Robert Laing attended all meetings until his retirement from the Board on 7 April 2021.

Board evaluation

Progress on recommendations made following the 2020 external Board evaluation:

Recommendations	Actions
Increase investment in Director development	Directors are updated on regulatory and governance developments through the external auditor, company secretary and other corporate advisors. Additional investment in training will be considered in 2022.
Succession planning measures to be put in place for Executive and Non-Executive Directors	On the recommendation of the Nomination Committee, the Board has approved a Board Tenure and Succession Planning Policy, which includes oversight of a diverse pipeline into the Board and the Executive Leadership team.
Enhance Board engagement with investors	The Board has had extensive discussions on increasing its engagement with investors and other stakeholders. Regarding investors, the Board ensures that shareholders are aware of its willingness to engage with them. Engagement with other stakeholders has significantly improved in the past year and will continue to progress in 2022. For further details please refer to the Section 172(1) Statement at page 46.
Streamline Board reports and management information to reflect the nature of the business	Board papers were reviewed earlier in the year with a view to ensuring they not only provided the right information to the Board but that they were more focused on the salient points for discussion. At its Board evaluation discussion in October 2021, it agreed to further enhancements to its meeting packs and presentations by guest attendees, which will contribute to the effectiveness of its discussions and decision-making process.
Embed vision, values, culture and behaviours required to shape the business as it grows	The Executive rolled out an extensive project to identify, agree and embed the Company's vision, core values and culture. This took place following consultations with staff members at all levels and included the participation of Board members. The Executive will continue to embed the agreed core values in 2022 and beyond. For further details please refer to the Section 172(1) Statement at page 46.

2021 internal Board evaluation

Under the UK Corporate Governance Code, it is recommended that companies conduct externally facilitated board and committee evaluations every three years. The most recent of these was conducted by the Company in 2020 and therefore an internal Board evaluation was conducted during the reporting period by an internal questionnaire and facilitated by a representative of the company secretary.

The evaluation focused on the Board and its Committees' composition, knowledge and behaviours, governance processes and support, work undertaken during 2021 and priorities for 2022. For the Board, the questionnaire also focused on: investment, strategic and governance matters, investor and stakeholder engagement, major decisions taken during the year including the acquisition of the CSS business from Eversheds Sutherland (International) LLP and the commencement of the share issuance programme. The anonymity of responses was guaranteed throughout the process, to promote candid feedback.

The results were discussed by the Board at its October 2021 meeting during which the Directors, led by the Senior Independent Director, in the Board Chair's absence, reviewed the Board Chair's performance over the past year. This was followed by a discussion, led by the Board Chair, among the Non-Executive Directors, in the absence of the Executive Directors, and finally a full Board discussion.

Key actions arising from the 2021 internal evaluation were to:

- improve time management of meetings and further streamline meeting packs
- continue to enhance engagement with investors and other key stakeholders
- continue to ensure an appropriate balance between discussions regarding the portfolio and the IPS business
- agree a director training schedule
- reassess the Company's principal and emerging risks

Corporate governance report continued

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 Board on the recommendation of the Nomination Committee has proposed the re-election and election of Directors, as set out in the notice of AGM on pages 138 and 139.

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, Mark Bridgeman will retire at the upcoming AGM, after serving a full nine years as a NED.

The Board has policies in place on tenure and succession planning and diversity and inclusion as 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, five of the seven 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. The Board is also satisfied that each Director dedicates sufficient time to Law Debenture, and that none of the Directors is '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 52 and 53 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 dedicates sufficient time to discharge his duties as Chairman.

Similarly, the Board is satisfied that Mark Bridgeman, Tim Bond, Claire Finn, Clare Askem and Pars Purewal 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.

Mark Bridgeman will remain the Audit and Risk Committee Chair and designated Non-Executive Director for workforce engagement until the date of his retirement. Pars Purewal has been appointed as the Audit and Risk Committee Chair Designate and Clare Askem will succeed Mark, as the designated Non-Executive Director for workforce engagement.

Robert Laing retired from his positions as Remuneration Committee Chair and Senior Independent Director (SID) in April 2021. Tim Bond has since been appointed as SID and is available to shareholders who have concerns that cannot be addressed through the Chairman, CEO or COO. Claire Finn was also appointed as Remuneration Committee Chair.

Directors' remuneration

Details of the Directors' remuneration appear in the Annual 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 remains 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

The members of the Committee who served during the year were Robert Hingley (Chair), Tim Bond, Mark Bridgeman, Pars Purewal, Claire Finn, Clare Askem and Robert Laing. Details of Committee meetings and attendance can be found on page 58.

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 Board vacancies, with particular regard for the need to develop a diverse pipeline to the Board and Executive Leadership levels;
- succession planning for the Board;
- 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. It is the Board's policy that meetings be chaired by a Director other than the Board Chair, when dealing with the appointment of his successor. 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 at the Company's registered office upon request to the company secretary, until the conclusion of the 2022 AGM. Particular care is taken to ensure that NEDs are independent, have sufficient time to commit to the duties expected of them and that diversity factors are taken into consideration. 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.

The Board engaged the services of Ridgeway Partners, a recruitment firm specialising in Board appointments and signatory to the Enhanced Voluntary Code of Conduct for Executive Search Firms. Ridgeway Partners has no other connection to the Company.

Following a rigorous selection process against an agreed set of criteria and consideration of Board members' and candidates' independence, time commitment, skills, experience, knowledge and diversity, Clare Askem and Pars Purewal were appointed on 10 June 2021 and 16 December 2021, respectively. As previously stated, Pars Purewal is expected to succeed Mark Bridgeman as Audit and Risk Committee Chair, following his retirement at the end of the 2022 AGM.

The Committee is also responsible for considering the policy on tenure and succession planning for members and the Chairman of the Board. Robert Hingley was appointed to the Board in October 2017 and, in line with the policy 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 is committed to achieving and maintaining a diverse and inclusive membership to ensure optimal decision-making and assist in the development and execution of strategy, which promotes Law Debenture's success for the benefit of its shareholders as a whole, having regard to the interests of other stakeholders. At the date of this report, the Company is compliant with the recommendations under the Davies, Hampton-Alexander and Parker reviews.

The Committee's approach to performance evaluation and the gender balance of those in senior management is set out at pages 50, and 59 to 60, respectively.

Diversity and inclusion

The Board is committed to the following objectives as set out in its Diversity and Inclusion Policy (the Policy), against which progress as stated below, has been made:

Objectives	Progress
To continue to adopt a formal, rigorous and transparent process, taking into account diversity and inclusion, when considering the appointment of Directors. The Board is committed to using search firms that access talent from wide and diverse pools and whose values and approach in identifying and proposing suitable candidates, are aligned with the Policy.	During the year the Board put in place a Tenure and Succession Planning Policy, which codifies its existing procedures around the appointment of new Directors and succession plans for short-term absences in line with governance best practice. See above for the process adopted for the appointments of Clare Askem and Pars Purewal.
To achieve and maintain, with respect to gender and ethnic diversity at Board level, the recommendations of the Davies, Hampton-Alexander and Parker reviews, recognising that unexpected changes in Board composition may result in temporary periods when this balance is not achieved.	At 31 December 2021: • 37% of the Directors on the Board were female and 63% were male. • One Director on the Board was from an ethnically diverse background. • 67% of the Executive Leadership team were female and 33% were male.

Corporate governance report continued

Objectives (continued)	Progress (continued)
To be kept updated on the Executive Directors' progress in ensuring the proportion of direct reporting roles to the Board and the Executive Leadership team, held by women and persons from ethnically diverse backgrounds, are compliant with the Hampton-Alexander and Parker review recommendations.	As is the annual practice, the Executive Leadership team presented its report setting out its analysis of employee positions held by women and gender pay gaps across all levels of the Group. The Executive Leadership team now have the capacity to also analyse data regarding ethnic diversity and ethnicity pay gaps within the business and will present these to the Board for the next annual reporting period.
To continue to facilitate a culture of inclusivity among Board members and to encourage active contributions from all Directors, recognising that a clear tone and example must be set at Board level.	Following the internal Board evaluation conducted earlier in the year, it was found that the culture and dynamics of the Board, Directors' individual performances and discussions at meetings continued to be effective and were in line with the Company's core values, which were rolled out during the year. These and other related matters will be reviewed on an annual basis.

Audit and Risk and Remuneration Committees

Following best practice guidelines published by the FRC, the Audit and Risk and Remuneration Committee reports are published as separate sections of the Annual Report and can be found at pages 64 to 66 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 57. The independent auditors' report appears on pages 84 to 94. 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. 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 underpins the Company's management framework, enabling 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 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 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 COO, reporting to an Executive Risk Committee;
- an internal audit function, reporting directly to the Audit and Risk Committee, which involves business departments and business wide processes (including overseas offices) being subject to audit on a regular basis;
- testing of the FCA regulated business' systems and controls;
- testing 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 the 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. 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).

A review of AML/KYC was undertaken during the year which included a review of the Sixth Money Laundering Directive. We appointed a new Group Money Laundering Reporting Officer and launched a third party supplier management policy to support due diligence requirements.

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 Executive Risk Committee 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 regular discussions with the senior management and compliance staff of Janus Henderson, and the performance of an on-site independent review of operational controls;
- 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 2021 and is reviewed by the Board on a regular basis.

We have a robust whistleblowing procedure which allows people to raise concerns under the Public Interest Disclosure Act 1998 about possible improprieties in matters of financial reporting or other matters. 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 Head of HR or if those avenues are not appropriate, to the Chairman of the Audit and Risk Committee, who is the employee representative of the Board. If they do not wish to report to any of these persons for any reason, they may report their concerns using our whistleblowing service provided by Safecall, which is available 24 hours a day. Reports using this channel may be made anonymously.

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).

Annual general meeting (AGM)

Details of the 2022 AGM are set out at pages 138 and 139.

The Board recognises the value of the AGM as an opportunity to communicate with shareholders and encourages 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 are 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 were 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 2021 received votes against, above 20% of the votes cast. The notice of the AGM and related papers are sent to shareholders at least 21 clear 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 Company's AGMs and general meetings, were approved. Accordingly, this year's AGM, subject to government guidance, will be held in a hybrid format to provide shareholders with the opportunity to participate in a manner that is most comfortable for them.

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 2021.

Other than myself as Chair, the Committee was comprised at the year-end of Tim Bond, Pars Purewal, Claire Finn, Clare Askem and Robert Laing. Whilst not a member, the Chairman and the Executive Directors are invited to attend the meetings. Details of Committee meetings and attendance can be found on page 58.

BDO LLP have been our external auditors for 13 years. Having previously announced our intention to run a tender to review our external audit arrangements, during the course of the year, the Committee undertook a competitive process to appoint new external auditors. I am delighted to announce that, as a result of that process, we have appointed Deloitte LLP to act as our external auditors. Deloitte consistently demonstrated their understanding of our business and the value-add they will bring to the process.

Having completed a full nine year term, I am sad to announce that I will be stepping down as member of The Law Debenture Corporation p.l.c. Board and Chair of the Audit and Risk Committee at the AGM in April.

Pars Purewal's election as a director of the Company has been recommended by the Board for shareholder approval, as set out in the notice of AGM. If approved, Pars will be appointed as Audit and Risk Committee Chair following my retirement at the conclusion of the AGM. Pars brings to the Board the relevant skills, knowledge and experience, as set out in detail on page 53.

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. This included oversight of the 2021 re-tender process.
- 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. The Committee has 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.

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 of Deloitte and also with the Chief Financial Officer and General Counsel 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 and Pars Purewal, having had an extensive background in audit, accounting and finance. 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.
- Review of the depositary's contract and services.
- Meetings with the external auditor to discuss the 2020 financial statements and, in the fourth quarter, to plan the 2021 audit. These meetings included discussions on fees, auditor independence, key risks and developments in accounting standards.
- Oversight and recommendation to the Board of the appointment of our new external auditor, Deloitte LLP.
- 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.
- Approved the funding option for the Company's Long-Term Incentive Plan.

Shortly after the year end, the Committee met with the external auditors to discuss the 2021 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 her 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 she wish, to meet separately

Audit and Risk Committee report continued

with the Audit and Risk Committee to raise any matters of concern that may arise, no concerns were raised during the reporting period.

The Committee is satisfied that the quality, experience and expertise of the internal auditor is appropriate for the business.

External auditors – assessing effectiveness

One of the most important functions of the Committee is to monitor the independence and objectivity of the external 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's 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 Leadership team'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 £29,000 (2020: £14,000). This included an agreed upon proceeds audit for the issue of the new debentures and the CASS audit.

Significant financial issues relating to the 2021 accounts

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

The significant issues considered by the Audit and Risk Committee include the valuation of IPS, the acquisition and corresponding accounting treatment of CSS, Pension Defined Benefit Scheme, and a review of the non-application of the IFRS 10 Investment Entity Exemption.

No new significant issues arose during the course of the audit. During the course of the year, the Finance operations of the business underwent significant modernisation, including establishing a Shared Service Centre in our Manchester office and the implementation of a new Finance system.

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
Chair, Audit and Risk Committee
24 February 2022

Annual remuneration report

Part 1 Remuneration Committee Chair's annual statement

Dear Shareholder

I am delighted to have been appointed as Chair of the Remuneration Committee by the Board following a recommendation by the Nomination Committee. Since my appointment, I have been active in my engagement with both the Executive Leadership and the wider Senior Management teams of Law Debenture. As part of this, I have sought to embed the Group's values in the remuneration process, creating an open channel of communication with the Senior Leadership team to provide feedback on the Executive Directors and their remuneration. This is reflected in the manner in which the Remuneration Policy has been applied during the course of the year.

On behalf of the Board, I am pleased to present the Annual Remuneration Report for the year ending 31 December 2021.

Financial and operational highlights

From an economic and operational perspective, 2021 was another challenging year for both our staff and our clients, which required the organisation to demonstrate a considerable degree of flexibility. The Board recognises that the Executive Leadership team have continued to work hard on behalf of our shareholders to not only minimise the ongoing impact of the Covid-19 pandemic but also deliver a strategy, which supports our objectives as a business of producing long-term capital growth and steadily increasing income.

As reflected by both our Chairman and our CEO earlier in this Annual Report, the Group has continued to deliver against our objective. Under the stewardship of our Executive Leadership team, we successfully completed the purchase of the company secretarial services (CSS) business from Eversheds Sutherland (International) LLP, which has further enhanced the diversification of revenue produced by the IPS business. As a business, we have also reviewed our capital structure, taking the opportunity to issues shares at a premium to Net Asset Value and issuing two new tranches of debt, lowering our weighted average cost of borrowing from 4.589% to 3.966%. In addition to this, we have had oversight of the excellent work undertaken by the Executive Leadership team to articulate our company culture, values and purpose, which has provided greater unity and staff engagement across the business.

2021 was another year of growth for our IPS business with revenue growth of 20.6%, an increase in profit before tax of 9.1% and an increase in earnings per share of 7.0%. The growth in earnings per share has been diluted due to the issuance of shares during the year. This builds on the momentum of last year and is a positive reflection of the efforts of all of our staff and the success of our new Senior Leadership team. Please refer to the Chairman's statement on pages 6 and 7 for further overview of the financial and operational highlights for 2021.

Performance outcomes for 2021

Annual bonus outcomes for 2021

As indicated in last year's report, the maximum annual bonus opportunity for directors was set at 100% of salary for 2021 and the performance measures were weighted evenly between financial targets and 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 4% at threshold (at which 20% bonus is awarded) to 9% as a stretch target (at which 100% of the financial target bonus is awarded). Management delivered well against this target achieving growth in IPS PBT of 9.1%.

The Board has been impressed by the progress made by the Executive Leadership team in 2021 on the non-financial targets. Of note are the investment made in our central human resource function and the improvement to operational efficiency to support our growing workforce. We have also received positive feedback about the work undertaken on culture and values, which is underpinned by increased levels of staff engagement. The Board also acknowledges that the ongoing uncertainty brought about by the pandemic and related measures have meant that several initiatives, such as fully embedding the CSS business and the new Shared Service Centre, are part of a longer-term journey with more work to be done in 2022.

Annual remuneration report continued

Overall, we are pleased with the progress made in 2021. Together, the investment manager and Executive Leadership team have delivered an excellent set of results for our shareholders, which has generated a share price total return of 19.2% and a growth in NAV per share at fair value of 18.3% over the same period. In view of the positive outcome for the IPS business, we have decided to award a bonus of 85% to the CEO and 85% to the COO. The Committee determined that the annual bonus outcomes for 2021, based on the application of the performance conditions, were in line with the overall performance of the business and therefore have not applied their discretion in assessing the Executive Directors' remuneration.

Implementation of the policy in 2022

Salary and benefits

The Committee has reviewed the performance of the Executive Directors during 2021. The Committee will normally limit Executive Director salary increases to the level of increase for the wider workforce. However, during the year, the Remuneration Committee also conducted a benchmarking exercise of the Executive Directors' salaries. As a result of the benchmarking exercise, the Remuneration Committee took the decision to award Trish Houston, COO, a pay rise, increasing her salary to £275,000 effective from 1 September 2021. This change brings the COO's salary in line with the market and recognises the contribution she had made to the Group in her first year in post. It also reflects her increased role and responsibilities. She has assumed responsibility for our risk oversight function and reporting to the Board. In addition, as our employee base and office footprint have expanded, so too have Trish's role and responsibilities. No change was made to the salary of the CEO during the course of the year. The principles applied in deciding that an increase was appropriate for Trish Houston are the same as those that were applied in respect of the wider workforce to ensure that salaries are aligned with market rates.

With inflation, measured by CPI, in the UK at 5.1%, pay increases have been awarded to the majority of the organisation at an average of 6%. The Committee is proposing not to award a pay increase for the CEO or the COO. Their salaries will remain at £325,000 and £275,000 respectively for 2022. The Executive Directors' pension contributions will continue to be 12% of salary or cash equivalent, which is in line with the policy for the wider workforce and the contributions received by the majority of the workforce. A further explanation of this can be found in the section of my letter on 'Wider workforce considerations and fairness'.

Bonus and Long-Term Incentive Plan (LTIP)

The maximum bonus opportunity will remain unchanged at 100% of salary for 2022, with 50% of performance measures based on IPS financial targets and the remainder based on non-financial performance 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 Remuneration Report for 2022. 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, subject to the Termination Policy, which can be found on page 80.

The Executive Directors will each receive LTIP awards of 100% of salary in 2022, 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 (at which 100% of the award vests). 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, ensuring they have a good understanding of the structure and application of the reward policies throughout the Group.

In 2021, a full review of contracts and benefits was conducted. As part of this, the wider workforce was engaged to understand what most mattered to them and, for 2022, we have improved the suite of benefits we offer to our employees. Going into 2022, we will now be providing all employees with health insurance and have implemented an improved maternity leave policy to better support working mothers.

We also reviewed the pension provision for our people. When we acquired the CSS business, we had to TUPE staff over to the Law Debenture Group on their existing contractual terms. The majority of staff were receiving company pension contributions of 5%. It has been decided that, effective from 1 January 2022, all our people will receive a minimum of 9% unmatched pension contributions. Whilst this has not been retrospectively applied to our existing staff, this will be reflected in the terms for all new joiners, including those at the Executive Director level.

As an organisation, we continued to be in the fortunate position that we did not draw upon any of the Government Support Schemes, nor have we had to place any of our staff on furlough.

In line with the provisions of the UK Corporate Governance Code, various methods of communication (including attending lunches, 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. During 2021, the Executive Leadership team implemented a more structured approach to conducting employee surveys, the results of which have been shared with the Board.

Annual remuneration report continued

Conclusions

I hope that you have found my letter useful and the accompanying report informative and clear. Shareholders voted to approve the Remuneration Policy at the AGM in April 2020 and we are not proposing any additional changes to the Remuneration Policy in 2022. We hope shareholders will be able to give their support to the resolution approving the Company's remuneration report at the AGM in April 2022. 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 Report.

Claire Finn
Chair, Remuneration Committee
24 February 2022

<table>
<tr><th colspan="4">REMUNERATION COMMITTEE MEMBERSHIP AND ACTIVITIES DURING 2021</th></tr>
<tr><td>Members</td><td>The members of the Committee who served during the year were:</td><td>C. Finn (Chair)
R. Hingley
T. Bond
M. Bridgeman
P. Purewal
C. Askem
R. Laing</td><td>Details of Committee meetings and attendance can be found on page 58.</td></tr>
<tr><td>Key activities of the Committee during the year included:</td><td colspan="3">• Determining 2021 annual bonus outcomes and payments for the Executive Directors and Senior Managers;
• Preparing the 2021 Annual Remuneration Report;
• Determining salary adjustments for the Executive Directors and Senior Managers;
• Setting performance objectives, annual bonus measures and targets for 2022;
• Reviewing the operation of the annual bonus process;
• Benchmarking pay for the Executive Directors and Senior Managers;
• Determining the total executive pay for 2021, including performance conditions for the LTIP awards in 2022;
• Oversight of the workforce engagement outcomes;
• Review of Remuneration Committee Terms of Reference; and
• Reviewing Gender Pay Gap reporting.</td></tr>
<tr><td>Support provided to the Committee</td><td colspan="3">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 £22,600. 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 participated in discussions that related directly to their own remuneration.</td></tr>
<tr><td>Key responsibilities of the Committee</td><td colspan="3">The Committee's terms of reference are published on the Company's website (https://www.lawdebenture.com/investment-trust/shareholder-information/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 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 Annual Remuneration Report, ensuring compliance with legal and governance requirements.</td></tr>
</table>

Part 2: Annual remuneration report

Remuneration Policy table including 2021 outcomes and 2022 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 2021	Denis Jackson's annual salary was £325k. He also opted to participate in the Company's health care plan.	Trish Houston was awarded a pay rise from £235k to £275k in September 2021. The total salary paid to Trish Houston in respect of 2021 was £245k.
Implementation in 2022	Denis Jackson's salary and benefits are unchanged in 2022.	Trish Houston's salary and benefits are unchanged in 2022.
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 receive a contribution of 12% of salary in line with the contribution for the majority of the wider workforce.	
Performance framework	None	
Outcomes for 2021	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 2022	Denis Jackson's pension contributions are unchanged in 2022.	Trish Houston's pension contributions are unchanged in 2022.

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 Financial and Non-Financial performance. Payment increases on a straight-line basis between threshold, target and stretch for the Financial objectives.
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 2021	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. The basis for the award is explained on page 75.
Implementation in 2022	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 Annual Remuneration Report.	
Outcomes for 2021	Denis Jackson was awarded an LTIP of up to 100%, subject to meeting the performance conditions.	Trish Houston was awarded an LTIP of up to 100%, subject to meeting the performance conditions.
Implementation in 2022	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 2021 outcomes and 2022 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 Directors' 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 to hold shares, to enable the post cessation requirements to be operated.	
Performance framework	None.	
Outcomes for 2021	Denis Jackson currently holds 61,767 shares through his own account, deferred bonus, SAYE and the SIP.	Trish Houston currently holds 7,676 shares on her own account, SAYE and the SIP
Implementation in 2022	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 Executive Leadership 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 Executive Directors 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 Annual 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. Shareholders are given the opportunity to engage with decisions in relation to Executive Director pay at the AGM. The Chair of the Remuneration Committee is also open to holding individual meetings with Shareholders, if requested, as outlined in our S172 Statement on page 44. Any feedback provided is taken into account when developing Executive remuneration arrangements, in addition to guidelines of investor bodies. 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.

Consideration of employment conditions

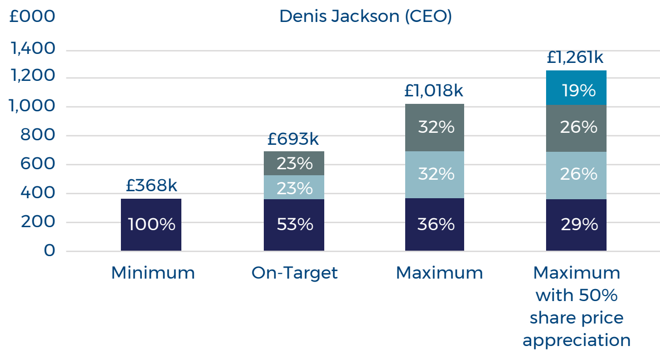
In determining the remuneration arrangements for Executive Directors, the Committee considers pay and conditions of other employees across the IPS business and aims to ensure a consistent approach. To facilitate this, the Committee receives information on wider workforce remuneration, ensuring they have a good understanding of the structure and application of the reward policies throughout the Group. Clare Askem will take become the designated 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.

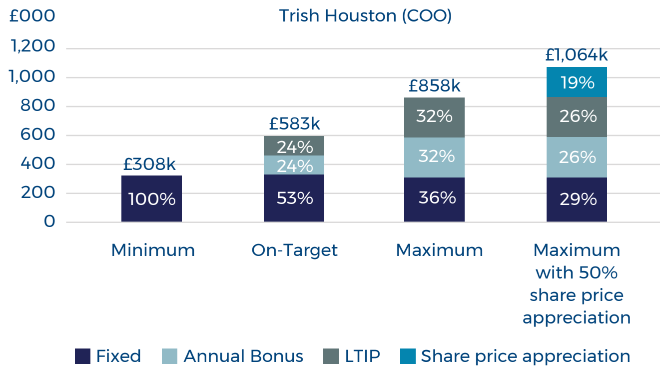
Differences in remuneration policy for Executive Directors compared with other employees

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 £275,000.
	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	Calculated based on the impact of 50% share price appreciation on maximum remuneration over three years on the deferred bonus element from the maximum award remuneration.

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 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.

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 2021 was PBT. The Executive Directors' awards are based on the performance against agreed thresholds, which can be found in the table below.	50%
IPS non-financial performance	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 operational infrastructure, a well embedded risk management framework and high calibre people. Engagement with investors, potential investors, market analysts, clients 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 and supports the future growth of the IPS business. The Remuneration Committee believe that the efforts made by the Executive Directors to further enhance the areas outlined above should be rewarded.	50%

MEASURE

For 2021 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%	4%	5%	9%	9.1%
IPS non-financial performance	50%	Further details set out below			
Total	100%				

Long Term Incentive Plan

In 2021, both the CEO and the COO were granted LTIP awards at the level of 100% of salary. 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%

For 2022 it is proposed that, both the Executive Directors will be granted LTIPs at the level of 100% of salary, with the same performance conditions.

Annual remuneration report continued

2021 PERFORMANCE AND PAY OUTCOMES

Financial performance

The IPS business delivered PBT growth of 9.1%.

Non-financial performance

The Remuneration Committee set a stretching set of non-financial objectives for the Executive Directors in 2021. The Committee evaluated the performance of the Executive Directors in relation to these targets and concluded that:

Excellent progress was made in:

- Evolving our leadership team and central functions to drive future business growth.
- Defining our company culture and values to unite our IPS businesses and people, creating opportunities for enhanced cross-selling.
- Building out a robust operational platform for the IPS business including the introduction of new finance and HR systems and establishing a new shared services centre.

Good progress was made in:

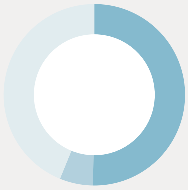
- Integrating the new CSS business and staff into IPS, particularly considering the ongoing challenges presented by Covid-19 and home-working guidance that was in place for a large part of the year.
- Engaging with investors, potential investors, market analysts, clients and the media.
- Articulating and evolving our approach to ESG for both the investment portfolio and the IPS business.

As a result, the Remuneration Committee concluded that the Executive Directors should be awarded 35% of bonus in relation to their non-financial objectives.

Total remuneration 2021

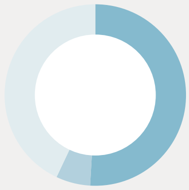
Denis Jackson
Chief Executive Officer

- Salary and benefits 52%
- Retirement benefits 5%
- Annual bonus 43%
- Performance Shares 0%*



Trish Houston
Chief Operating Officer

- Salary and benefits 52%
- Retirement benefits 5%
- Annual bonus 43%
- Performance Shares 0%*



* No long-term incentives or scheme interests vested in 2021 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 2021 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[4]
Chief Operating Officer

Denis Jackson:
Current holdings: 61,767 shares[2]
Two times salary, 81,352 shares
Total target value[3] of £650,000

Trish Houston:
Current holdings: 7,676 shares
Two times salary, 68,836 shares
Total target value[3] of £550,000

1 D. Jackson has 58,401 shares vesting in 1-4 years time subject to a service condition but not a performance condition.
2 Includes shares held on own account.
3 Calculated based on a close price of 799p as at 31 December 2021.
4 T. Houston has 6,112 shares vesting in 4-5 years.

The value of the shareholdings disclosed have been calculated using using the close price as at the 31 December 2021 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 2021 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	2021	325	4	275	—	34	638	363	275
	2020	325	4	275	—	39	643	368	275
Trish Houston[1]	2021	245	—	208	—	26	479	271	208
	2020	77	—	65	—	9	151	86	65
Katie Thorpe[2]	2021	—	—	—	—	—	—	—	—
	2020	180	3	—	—	22	205	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 2021. In the period between 31 December 2021 and 24 February 2022, Denis Jackson's share holding has increased by 451 shares, as a result of dividend reinvestment. There have been no changes to Trish Houston's holding.

		Outstanding scheme interests							
	Shares owned outright	Unvested shares not subject to performance[2]	Unvested options not subject to performance[3]	Unvested options subject to performance[4]	Vested but unexercised share options	Total scheme interests	Shareholding guideline (% of salary)	Current shareholding (% of salary)[5]	Guideline met
Denis Jackson	3,366	49,159	9,242	115,805	—	177,572	200%	152%	No
Trish Houston[1]	1,564	—	6,112	32,267	—	39,943	200%	22.3%	No

1 Trish Houston joined the Board as an Executive Director with effect from 2 September 2020.
2 Includes deferred bonus awards granted under the Deferred Share Plan.
3 Includes options awarded under Save As You Earn Share Save Plan.
4 Includes options awarded under the LTIP.
5 Based on a share price on 31 December 2021 of 799p. Shares owned outright have been included.

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

	Scheme	Interests held at 1 January 2021	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 2021	Vesting/ first exercise date
Denis Jackson	[1]DSP 2018	3,275	33	02.03.18	572	3,308	—	—	527	721	—	01.03.21
	[1]DSP2019	17,682	850	11.03.19	582	—	—	—	582	n/a	18,532	11.03.22
	[1]DSP 2020	17,333	833	13.03.23	587.19	—	—	—	587.19	n/a	18,166	13.03.23
	[1]DSP 2021	—	12,884	12.03.21	704.66	—	—	—	704.66	n/a	12,884	12.03.24
	[2]LTIP 2020	70,210	—	07.04.20	462.9	—	—	—	462.9	n/a	70210	07.04.23
	[2]LTIP 2021	—	45,595	01.03.21	712.8	—	—	—	712.8	n/a	45,595	01.03.24
	[3]SAYE 2020	5,565	—	26.08.20	539	—	—	—	539	n/a	5,565	26.08.25
	Total	114,065	60,195								170,952	
Trish Houston	[2]LTIP 2021	—	32,207	01.03.21	712.8	—	—	—	712.8	n/a	32,207	01.03.24
	[3]SAYE 2021	—	3,856	01.09.21	778	—	—	—	778	n/a	3,856	01.09.26
	Total		36,063								36,063	

1 Deferred Share Plan (share grant price is based on the market close on the date of the grant). Includes dividend reinvestment.
2 Long Term Incentive Plan (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.
3 Save As You Earn Save Plan (share grant price is based on market close on the date of the grant).
* Exercise price is based on market price at grant..

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 2021	Taxable benefits 2021	Annual bonus 2021
Denis Jackson (CEO)	0%	0%	0%
Trish Houston (COO)[1]	17%	0%	0%
Robert Hingley (NED)	0%	0%	0%
Robert Laing (NED)[2]	0%	0%	0%
Mark Bridgeman (NED)	0%	0%	0%
Tim Bond (NED)	0%	0%	0%
Claire Finn (NED)	0%	0%	0%
Clare Askem (NED)	0%	0%	0%
Pars Purewal (NED)	0%	0%	0%
All other Employees (excluding directors)[3]	2.4%	0%	30%[4]

1 Trish Houston joined Law Debenture on 2 September 2020. As such, her salary and bonus were pro-rated in 2020. In September 2021, Trish Houston was awarded a 17% pay rise, as explained in the Chair's letter at page 68. The annual bonus awarded as a percentage in 2021 is unchanged from 2020.
2 Robert Laing retired on 7 April 2021.
3 For the purposes of this table, all other employees excluding Directors have been taken to mean employees of LDC Trust Management Limited.
4 Includes employees who joined us as part of the CSS acquisition.

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 2019, 31 December 2020 and 31 December 2021.

	2019 £000	2020 £000	2021 £000	% change
Total employee pay expenditure[1]	14,709	16,156	21,417[3]	32.6%
Total distributed to shareholders[2]	30,778	32,572	35,662	9.5%

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.
3 Includes salaries and bonuses paid the staff who joined us as part of he acquisition of the Company Secretarial Services business on 1 February 2021.

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 6 and 7. The number of employees has increased from 165 in 2020 to 239 in 2021, 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 6 and 7.

Historical remuneration and TSR chart

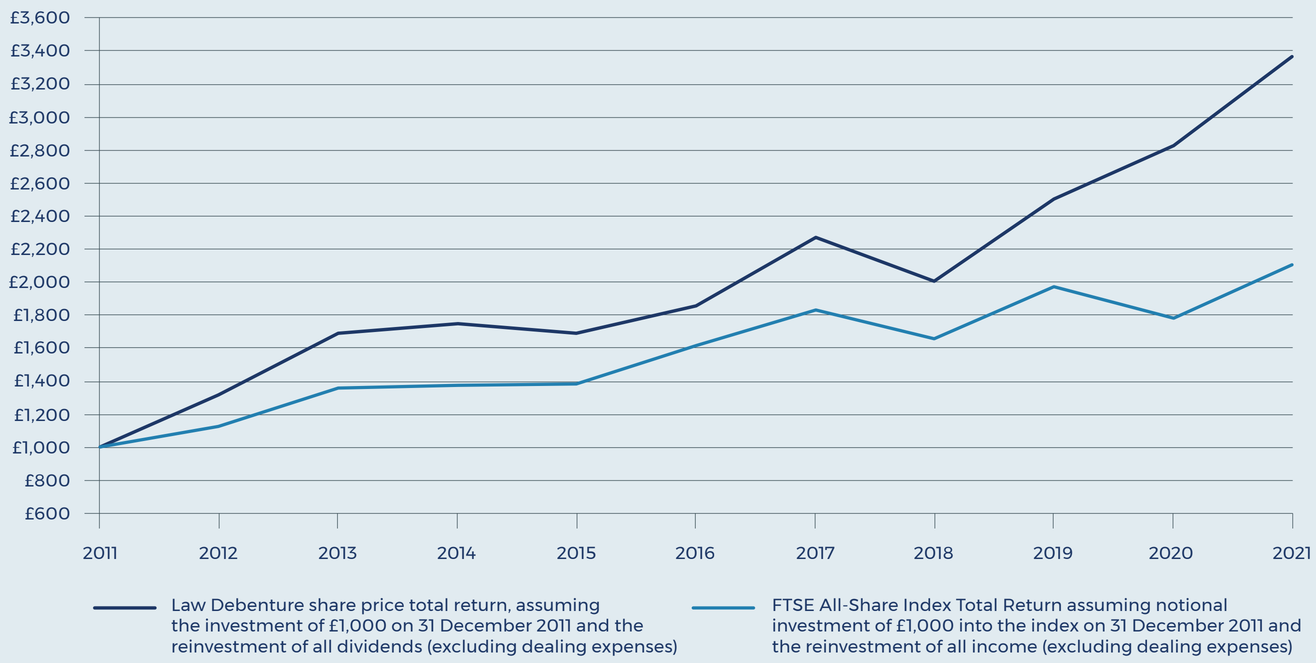
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Incumbent	C. Banszky	C. Banszky	C. Banszky	C. Banszky	M. Adams[1] C. Banszky	T. Fullwood[2] M. Adams	D. Jackson[3]	D. Jackson[3]	D. Jackson[3]	D. Jackson[3]
CEO single figure of total remuneration (£000)	636.9	636.9	690.7	677.5	180.5 757.8	142.2 344.1	611.2	643.4	643.0	643.2
Annual bonus and deferred bonus awarded (against maximum %)	70.0%	72.1%	62.0%	100.0%	65.1% 0.0%	100.0% 0.0%	100.0%	90.9%	85.0%	85.0%

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.

Annual remuneration report continued

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 2021, 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.

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 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 2021. There have been no changes in Directors' interests in the period between 31 December 2021 and 24 February 2022.

	Shares owned outright
Robert Hingley	4,870
Robert Laing[1]	12,300
Mark Bridgeman[2]	4,513
Tim Bond	–
Claire Finn	–
Clare Askem	–
Pars Purewal	–

1 Robert Laing retired from the Board at the AGM in April 2021.
2 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 2021 and the prior period:

Non-Executive Directors	Salary/fees 2021	Total 2021	Salary/fees 2020	Total 2020
Robert Hingley	£87,550	£87,550	£87,550	£87,550
Robert Laing*	£13,727	£13,727	£50,985	£50,985
Mark Bridgeman	£56,650	£56,650	£56,650	£56,650
Tim Bond	£45,320	£45,320	£45,320	£45,320
Claire Finn	£49,547	£49,547	£46,237	£46,237
Clare Askem	£25,275	£25,275	–	–
Pars Purewal	£2,092	£2,092	–	–

* Robert Laing retired from the Board at the AGM in April 2021.

Non-Executive Director fees

For 2022, the fees for the Chairman and Non-Executive Directors have been increased in line with inflation:

Fee	Fees effective 1 April 2022	Fees effective 1 January 2021	% change
Chairman fee	£92,000	£87,550	5%
Non-Executive Director base fee	£47,600	£45,320	5%
Additional fee for Chairman of Audit Committee	£5,950	£5,665	5%
Additional fee for Chairman of Remuneration Committee	£5,950	£5,665	5%
Additional fee for oversight of workforce engagement	£5,950	£5,665	5%

Statement of shareholder voting at the Company's AGM

The table below sets out the results of the most recent shareholder votes on the Annual Remuneration Report at the AGM on 7 April 2021. The Remuneration Policy was last approved by shareholders at the Company's annual general meeting held on 7 April 2020 at the end of which it received 30,240,887 votes in favour (97.65%), 728,373 votes against (2.35%) and 250,424 votes were withheld. The full policy is contained in the Company's annual report and accounts for the year ended 31 December 2019, which may be found at https://www.lawdebenture.com/investment-trust/shareholder-information/annual-reports-and-half-yearly-reports.

	Percentage of votes cast		Number of votes cast		
	For	Against	For	Against	Withheld[1]
2020 Annual Remuneration Report	97.21	2.79	28,152,740	809,105	284,053

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.

By order of the Board

Claire Finn
Chair, Remuneration Committee
24 February 2022

Photo credit: Amanda Hartley-Denton

Independent auditor's report

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

Report on the audit of the financial statements

1. Opinion

In our opinion:

- the financial statements of The Law Debenture Corporation p.l.c. (the 'Company') and its subsidiaries (the 'Group') give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2021 and of the Group's profit for the year then-ended;
- the Group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB);
- the Company financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards 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.

We have audited the financial statements which comprise:

- the group income statement;
- the group statement of comprehensive income;
- the group and Company statements of financial position;
- the group and Company statements of changes in equity;
- the group statement of cash flows; and
- the related notes 1 to 28.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law, United Kingdom adopted international accounting standards and IFRSs as issued by the IASB. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006.

2. 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 are independent of the Group and the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (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 provided to the Group and Company for the year are disclosed in note 3 to the financial statements. We confirm that we have not provided any non-audit services prohibited by the FRC's Ethical Standard to the Group or the Company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independent auditor's report continued

3. Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: • valuation and existence of investments; • completeness, accuracy and cut-off of independent professional services fees; and • accounting for the acquisition of Konexo UK's company secretarial business.
Materiality	The materiality that we used for the Group financial statements was £8.49m which was determined on the basis of 1% of net assets.
Scoping	We audited 100% of the Group's investment portfolio, 74% of the Group's revenue, 97.2% of the Group's profit before tax, 99.3% of the Group's total assets and 90.4% of the Group's net assets. Audit work to respond to the risks of material misstatement identified was performed directly by the group audit engagement team.

4. Conclusions relating to going concern

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's and Company's ability to continue to adopt the going concern basis of accounting included:

- assessing the Group's financial position, including the liquidity and size of its investment portfolio, as well as the size, nature and terms of its financing facilities;
- assessing the Directors' considerations regarding whether they consider it appropriate to adopt the going concern basis of accounting;
- assessing the relevance and reliability of underlying data and key assumptions, such as cash flows and liquidity assumptions used in the prepared forecasts;
- evaluating management's plans for future actions in relation to their going concern assessment;
- assessing the appropriateness of the going concern disclosures in the financial statements; and
- reviewing management's going concern paper for reasonableness.

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 Group's and Company'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 reporting on how the Group 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.

5. 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. These matters included 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

5.1. Valuation and existence of investments

Key audit matter description	The investments of the Group of £992.5m are key to its performance and account for the majority of the total assets, 90.8% at 31 December 2021. Quoted investments are valued at their fair value, which is represented by the market bid price. Please see the accounting policy in note 1 and note 14. Investments listed on recognised exchanges are valued at the closing bid price at the year end. There is a risk that investments within the portfolio may not be actively traded and the prices quoted may not be reflective of fair value. Additionally, there is a risk the investment assets recorded may not represent property of the Company. There is a risk that the investment valuation and investment existence of the Group can be manipulated by applying an incorrect share price and number of shares owned. This could result in material misstatement of the net asset value of the Group.
How the scope of our audit responded to the key audit matter	We have performed the following procedures to test the valuation and existence of investments at 31 December 2021: • obtained an understanding of the relevant controls over valuation and ownership of quoted investments; • agreed 100% of the Company's investment portfolio at the year-end to confirmations received directly from the custodian; • independently agreed 100% of the bid prices of quoted investments on the investment ledger at year end to closing bid prices published by an independent pricing source; • assessed the liquidity of a sample of the holdings at year-end by comparing the holding size to the shares traded after the year end to determine if the valuation is reflective of quoted prices in an active market; • made enquiries of the manager and directors regarding their assessment of the portfolio pricing and liquidity; and • reviewed the completeness and appropriateness of disclosures in relation to investments.
Key observations	Based on the work performed we concluded that the valuation and existence of investments is appropriate.

Independent auditor's report continued

5.2. Completeness, accuracy, and cut-off of independent professional services fees

Key audit matter description	Independent professional services revenue consists of fees receivable from the provision of services including, but not limited to: • pension trustee and governance services; • corporate trustee services; • corporate services (such as corporate secretarial and accounting); • service of process; and • whistleblowing services. Fees are manually calculated and recorded and are performed differently across the various service lines within the Group, increasing the risk of misstatement. The accounting policy for revenue recognition is detailed in Note 1 to the financial statements, whilst further details of revenue earned from IPS are detailed in Note 6. Fees of £49.5m were recorded for the year-ended 31 December 2021. The fees require the accurate implementation of client contracts, as well as appropriate accounting treatment in line with IFRS 15 'Revenue from contracts with customers'. There is a potential risk of fraud associated with the accuracy of revenue due to this balance's importance to stakeholders and link to long-term incentives. Additionally, we note that inaccurate or incomplete revenue could have a significant impact on the Group's earnings per share. Given the highly manual processes involved in accounting for this revenue, we consider it to be a key audit matter.
How the scope of our audit responded to the key audit matter	We have performed the following procedures to test the completeness, accuracy and cut-off of independent professional services fees for the period: • obtained an understanding of the relevant controls over revenue earned; • independently agreed a sample of fees to signed client agreements, sales invoices and bank receipts. Where amendments were made to client agreements, we evaluated whether these had been recorded accurately and timely; • from an independent source, we also assessed whether revenue for a sample of clients was correctly recorded; and • reviewed revenue recorded either side of the year-end to assess whether the revenue has been accounted for in the correct period and assessed for compliance with IFRS 15 for revenue recognition criteria.
Key observations	Based on the work performed, we concluded that the completeness, accuracy, and cut-off of independent professional service fees is appropriate.

Independent auditor's report continued

5.3. Accounting for the acquisition of Konexo UK's company secretarial business

Key audit matter description	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 total consideration for the acquisition was £20 million, paid in cash. Upon acquisition, the Group recognised goodwill of £17.0m and £3.0m of intangible assets. No impairment expense has been recognised in respect of goodwill in the period. Accounting for the acquisition requires judgement in correctly determining and subsequently allocating the purchase price in accordance with IFRS 3 'Business Combinations'. On acquisition management are also required to identify and determine the fair value of intangibles assets acquired in the business combination. The calculation of the fair value is inherently complex and subject to estimation and complex judgements. The goodwill arising from the acquisition must also be assessed for potential impairment at the acquisition date. The accounting policy for the valuation of goodwill and intangible assets, including management's sensitivity analyses, is detailed in note 10 to the financial statements.
How the scope of our audit responded to the key audit matter	We performed the following procedures to test the accounting for the acquisition of Konexo UK's company secretarial business: • reviewed the purchase agreement to assess whether all elements of the purchase price have been accounted for appropriately; • evaluated the accounting paper prepared by management with respect to the recognition and measurement of goodwill and intangible assets, with reference to the requirements of the applicable accounting standards, and assessed whether the approach, rationale and conclusions reached were reasonable and supportable; • involved internal valuation specialists in assessing management's assumptions used to calculate the valuation of the intangible assets and resultant goodwill at the acquisition date; • assessed management's analysis of indicators of impairment of the acquired assets, including the resulting goodwill balances, assessing whether any impairment was required at the acquisition date; and • reviewed all associated disclosures for appropriateness.
Key observations	Based on the work performed we concluded that the accounting for the acquisition of Konexo UK's company secretarial business is appropriate.

Independent auditor's report continued

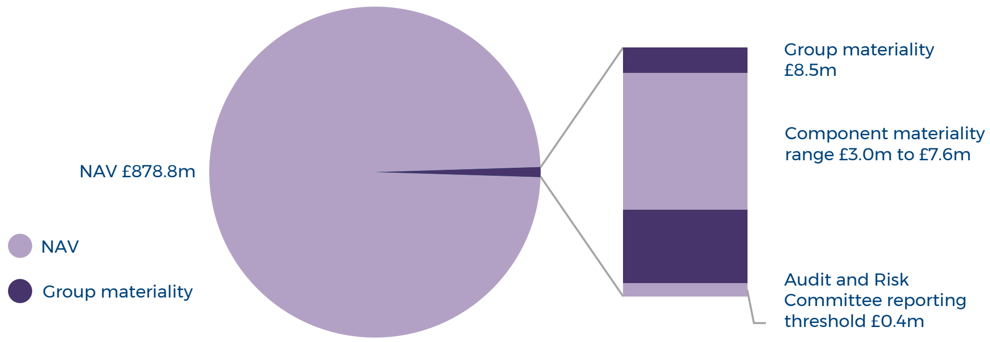
6. Our application of materiality

6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

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

	Group financial statements	Company financial statements
Materiality	£8.49m	£7.64m
Basis for determining materiality	1% of net assets as at the year end.	Company materiality equates to 0.84% of net assets, which is capped at 90% of group materiality.
Rationale for the benchmark applied	Net assets has been chosen as a benchmark as it is considered the most relevant benchmark for investors and is a key driver of shareholder value.	



6.2. Performance materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

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

	Group financial statements	Company financial statements
Performance materiality	70% of Group materiality	70% of Company materiality
Basis and rationale for determining performance materiality	In determining performance materiality, we considered the following factors: • our understanding of the entity, its environment and the investment company sector; • the quality of the entity's internal controls over financial reporting; and • the low number of corrected and uncorrected misstatements identified in prior periods.	

6.3. Error reporting threshold

We agreed with the Audit and Risk Committee that we would report to the Committee all audit differences in excess of £0.42m, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit and Risk Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

Independent auditor's report continued

7. An overview of the scope of our audit

7.1. Identification and scoping of components

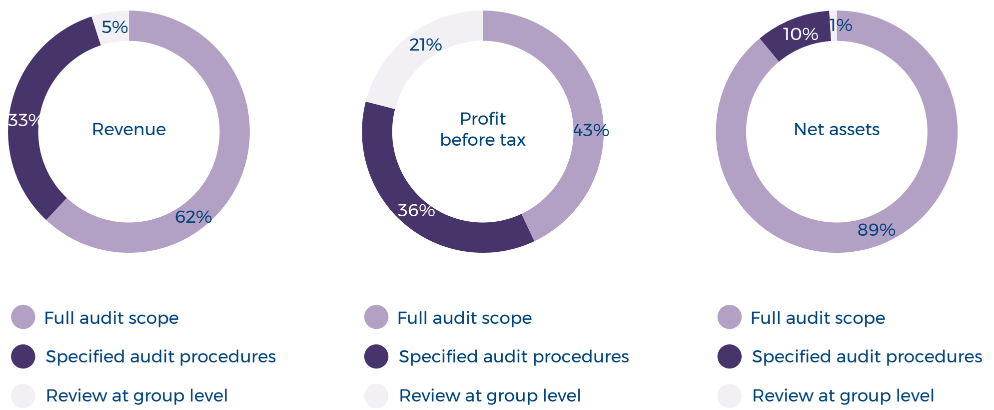
The organisation is headquartered and operates principally out of the UK, but also operates overseas subsidiaries in United Kingdom Ireland, Hong Kong, Cayman Islands, Channel Islands and the United States.

In determining the scope of work to be performed on specific components of the group, we considered each entity with reference to both quantitative and qualitative factors. Our quantitative assessment was primarily based on each entity's profit before tax and revenue, though we also considered the overall coverage obtained. For qualitative factors, our assessment included current-year events and any significant risks or management interest, including management's strategy for the group.

Based on that assessment, we performed a full scope audit on the Company, and specified audit procedures on four of the Company's subsidiaries.

All other subsidiaries were subject to analytical review procedures.

These four entities plus the parent represent the principal operating companies and account for 103% of the Group's net assets, 74% of the Group's revenue and 97.2% of the Group's profit before tax. Our audit work at the four subsidiaries was executed at levels of component materiality applicable to each individual entity which were lower than Group materiality and ranged from £2.97 million to £4.16 million.



7.2. Our consideration of the control environment

We identified that the following key IT systems were relevant to the audit:

- Sage Intacct, which is the ERP system used across all components of the Group and is used to record underlying transactions within the Group;
- BQE Core, which is used for recording key customer data and billing in respect of the IPS business; and
- Investment NAV, an in-house tool which is used in recording the NAV of the investment portfolio.

We involved IT specialists and obtained an understanding of controls related to these IT systems.

Furthermore, as noted by the Audit and Risk Committee on page 66, the Group's control environment is undergoing a programme of change and improvement. Therefore, considering the developing nature of the overall control environment, we concluded that a fully substantive approach was appropriate in all aspects of the audit for the year ended 31 December 2021, with the exception of the investment income operating cycle, where we placed reliance on controls.

7.3. Our consideration of climate-related risks

In planning our audit, we have considered the potential impact of climate change on the Group’s business and its financial statements.

The Group continues to develop its assessment of the potential impacts of environmental, social and governance (“ESG”) related risks, including climate change, as outlined on page 49.

As a part of our audit, we have obtained management’s climate-related risk assessment and held discussions with the Group ESG Manager to understand the process of identifying climate-related risks, the determination of mitigating actions and the impact on the Group’s financial statements.

We performed our own qualitative risk assessment of the potential impact of climate change on the Group’s account balances and classes of transactions and did not identify any additional risks of material misstatement.

8. Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor’s report thereon. The directors are responsible for the other information contained within the annual report.

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.

9. Responsibilities of directors

As explained more fully in the directors’ responsibilities statement, 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 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 Company or to cease operations, or have no realistic alternative but to do so.

10. 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.

A further description of our responsibilities for the audit of the financial statements is located on the FRC’s website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor’s report.

Independent auditor's report continued

11. Extent to which the audit was considered 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.

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the Group's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management, internal audit, and the Audit and Risk Committee about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the Group's documentation of their policies and procedures relating to:
    - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
    - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
    - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team and relevant internal specialists, including tax, valuations, pensions and IT specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following areas:

- valuation and existence of investments; and
- completeness, accuracy, and cut-off of independent professional service fees.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks that the Group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included UK Companies Act, Listing Rules, pensions legislation, tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the Group's ability to operate or to avoid a material penalty. These included the Group's operating licence and regulatory solvency requirements and matters regulated by the Financial Conduct Authority (the Group's lead regulator).

11.2. Audit response to risks identified

As a result of performing the above, we identified (i) valuation and existence of investments and (ii) completeness, accuracy and cut-off of independent professional services fees as key audit matters related to the potential risk of fraud. The key audit matters section of our report explains the matters in more detail and also describes the specific procedures we performed in response to those key audit matters.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the Audit and Risk Committee and in-house legal counsel concerning actual and potential litigation and claims;

Independent auditor's report continued

- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with HMRC, FCA and other regulators globally; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

12. Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

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 the Company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

13. 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 Group's compliance with the provisions of the UK Corporate Governance Code 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 and our knowledge obtained during the audit:

- the directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 57;
- the directors' explanation as to its assessment of the Group's prospects, the period this assessment covers and why the period is appropriate set out on page 55;
- the directors' statement on fair, balanced and understandable set out on page 62;
- the board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 42;
- the section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on pages 65 and 66; and
- the section describing the work of the Audit and Risk Committee set out on pages 64 to 66.

Independent auditor's report continued

14. Matters on which we are required to report by exception

14.1. Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

14.2. Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the directors' remuneration report to be audited is not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

15. Other matters which we are required to address

15.1. Auditor tenure

We were appointed by the Audit and Risk Committee on 1 October 2021 to audit the financial statements for the year ending 31 December 2021 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 1 year, covering the year ending 31 December 2021.

15.2. Consistency of the audit report with the additional report to the Audit and Risk Committee

Our audit opinion is consistent with the additional report to the Audit and Risk Committee we are required to provide in accordance with ISAs (UK).

16. Use of our report

This report is made solely to the 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 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 Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

As required by the Financial Conduct Authority (FCA) Disclosure Guidance and Transparency Rule (DTR) 4.1.14R, these financial statements form part of the European Single Electronic Format (ESEF) prepared Annual Financial Report filed on the National Storage Mechanism of the UK FCA in accordance with the ESEF Regulatory Technical Standard (('ESEF RTS'). This auditor's report provides no assurance over whether the annual financial report has been prepared using the single electronic format specified in the ESEF RTS.

Andrew Partridge (Senior statutory auditor)
For and on behalf of Deloitte LLP

Statutory Auditor
Glasgow, United Kingdom
24 February 2022

Photo credit: Natalie Winterfrost

Group income statement

as at 31 December 2021

	Notes	2021 Revenue £000	2021 Capital £000	2021 Total £000	2020 Revenue £000	2020 Capital £000	2020 Total £000
UK dividends		21,426	–	21,426	14,794	–	14,794
UK special dividends		250	–	250	458	–	458
Overseas dividends		4,583	–	4,583	2,685	–	2,685
Overseas special dividends		–	–	–	–	–	–
Total dividend income		26,259	–	26,259	17,937	–	17,937
Interest income	5	–	–	–	89	–	89
Independent professional services fees	6	49,513	–	49,513	38,898	–	38,898
Other income		551	–	551	219	–	219
Total income		76,323	–	76,323	57,143	–	57,143
Net gain/(loss) on investments held at fair value through profit or loss	2	–	121,170	121,170	–	(16,354)	(16,354)
Total income and capital gains/(losses)		76,323	121,170	197,493	57,143	(16,354)	40,789
Cost of sales		(8,037)	–	(8,037)	(4,405)	–	(4,405)
Administrative expenses	3	(31,680)	(2,456)	(34,136)	(24,879)	(2,216)	(27,095)
Provision for onerous contracts		–	–	–	118	–	118
Operating profit/(loss)		36,606	118,714	155,320	27,977	(18,570)	9,407
Finance costs							
Interest payable	5	(1,319)	(3,958)	(5,277)	(1,320)	(3,958)	(5,278)
Profit/(loss) before taxation	6	35,287	114,756	150,043	26,657	(22,528)	4,129
Taxation	7	(1,210)	–	(1,210)	(1,178)	–	(1,178)
Profit/(loss) for the year	6	34,077	114,756	148,833	25,479	(22,528)	2,951
Return per ordinary share (pence)		28.09	94.60	122.69	21.56	(19.06)	2.50
Diluted return per ordinary share (pence)		28.08	94.57	122.66	21.56	(19.06)	2.50

Group statement of comprehensive income

as at 31 December 2021

GROUP	2021 Revenue £000	2021 Capital £000	2021 Total £000	2020 Revenue £000	2020 Capital £000	2020 Total £000
Profit/(loss) for the period	34,077	114,756	148,833	25,479	(22,528)	2,951
Foreign exchange gain on translation of foreign operations	–	654	654	–	105	105
Pension actuarial gains/(losses)	8,500	–	8,500	(6,500)	–	(6,500)
Taxation on pension	(1,615)	–	(1,615)	1,235	–	1,235
Other comprehensive income/(loss) for year	6,885	654	7,539	(5,265)	105	(5,160)
Total comprehensive income/(loss) for the year	40,962	115,410	156,372	20,214	(22,423)	(2,209)

Statement of financial position

as at 31 December 2021

Assets	Notes	GROUP 2021 £000	GROUP 2020 £000	COMPANY 2021 £000	COMPANY 2020 £000
Non-current assets					
Goodwill	11	18,973	1,914	–	–
Property, plant and equipment	12	1,974	1,088	–	–
Right-of-use assets	23	5,542	5,413	–	–
Other intangible assets	13	3,516	619	16	16
Investments held at fair value through profit or loss	14	992,478	812,297	992,378	812,083
Investments in subsidiary undertakings	14	–	–	61,283	61,283
Retirement benefit asset	24	6,577	–	–	–
Deferred tax assets	7	–	771	–	–
Total non-current assets		1,029,060	822,102	1,053,677	873,382
Current assets					
Trade and other receivables	15	20,466	16,664	57,581	4,185
Contract assets	15	6,611	5,994	583	1,889
Cash and cash equivalents	16	35,880	41,762	25,507	32,098
Total current assets		62,957	64,420	83,671	38,172
Total assets		1,092,017	886,522	1,137,348	911,554
Current liabilities					
Amounts owed to subsidiary undertakings		–	–	87,631	61,698
Trade and other payables	17	29,329	27,405	13,447	13,075
Lease liability	23	287	–	–	–
Corporation tax payable		925	238	–	–
Deferred tax liability	7	1,060	–	–	–
Other taxation including social security		1,543	860	850	793
Contract liabilities	17	5,620	4,367	34	16
Total current liabilities		38,764	32,870	101,962	75,582
Non-current liabilities					
Long-term borrowings	21	164,245	114,201	124,586	74,569
Contract liabilities	17	4,054	4,011	125	125
Lease liability	23	6,117	5,606	–	–
Retirement benefit liability		–	2,840	–	–
Total non-current liabilities		174,416	126,658	124,711	74,694
Total net assets		878,837	726,994	910,675	761,278
Equity					
Called up share capital	18	6,145	5,923	6,145	5,923
Share premium		41,865	9,277	41,865	9,277
Own shares	18	(3,215)	(1,461)	–	–
Capital redemption		8	8	8	8
Translation reserve		2,656	2,002	–	–
Capital reserves	19	789,423	674,591	835,293	733,189
Retained earnings		41,955	36,654	27,364	12,881
Total equity		878,837	726,994	910,675	761,278
Total equity pence per share		717.86	615.19		

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 £151,510,000 (2020: gain £5,658,000). Approved and authorised for issue by the Board on 24 February 2022 and signed on its behalf by:

R. Hingley, Chairman | D. Jackson, Chief Executive Officer
The Law Debenture Corporation p.l.c. registered number 00030397.

Group statement of changes in equity

as at 31 December 2021

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 2021	5,923	9,277	(1,461)	8	2,002	674,591	36,654	726,994
Profit/(loss) for the period	–	–	–	–	–	114,756	34,077	148,833
Foreign exchange	–	–	–	–	654	76	(738)	(8)
Actuarial gain on pension scheme (net of tax)	–	–	–	–	–	–	6,885	6,885
Total comprehensive profit for the period	–	–	–	–	654	114,832	40,224	155,710
Issue of shares	222	32,588	–	–	–	–	–	32,810
Movement in own shares	–	–	(1,754)	–	–	–	–	(1,754)
Dividend relating to 2020	–	–	–	–	–	–	(9,614)	(9,614)
Dividend relating to 2021	–	–	–	–	–	–	(25,309)	(25,309)
Total equity at 31 December 2021	6,145	41,865	(3,215)	8	2,656	789,423	41,955	878,837

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
Profit/(loss) 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)
Total equity at 31 December 2020	5,923	9,277	(1,461)	8	2,002	674,591	36,654	726,994

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

as at 31 December 2021

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 2021	5,923	9,277	—	8	—	733,189	12,881	761,278
Profit/(loss) for the period	—	—	—	—	—	114,756	36,754	151,510
Total comprehensive profit for the period	—	—	—	—	—	114,756	36,754	151,510
Issue of shares	222	32,588	—	—	—	—	—	32,810
Dividend relating to 2020	—	—	—	—	—	—	(9,614)	(9,614)
Dividend relating to 2021	—	—	—	—	—	(12,652)	(12,657)	(25,309)
Total equity at 31 December 2021	6,145	41,865	—	8	—	835,293	27,364	910,675

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
Profit/(loss) for the period	—	—	—	—	—	(22,528)	28,186	5,658
Total comprehensive profit 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)
Total equity at 31 December 2020	5,923	9,277	—	8	—	733,189	12,881	761,278

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 2021

	GROUP		COMPANY	
	2021 £000	2020 £000	2021 £000	2020 £000
Operating activities				
Operating profit before interest payable and taxation	155,320	9,406	157,077	10,843
Losses/(gains) on investments	(121,170)	18,570	(121,170)	18,570
Non-cash dividends	—	—		(10,000)
Depreciation of property, plant and equipment	220	37	—	—
Depreciation of right-of-use assets	858	1,179	—	—
Interest on lease liability	—	49	—	—
Amortisation of intangible assets	490	59	—	—
Loss on sale of fixed assets	—	(15)	—	—
Decrease/(increase) in receivables	(4,419)	(9,007)	2,139	(3,377)
(Decrease)/increase in payables	1,920	14,926	2,920	11,922
Transfer from capital reserves	—	(1,341)	—	(1,341)
Normal pension contributions in excess of cost	(940)	(960)	—	—
Cash generated from operating activities	32,279	32,903	40,966	26,617
Taxation	(307)	(1,103)	—	—
Operating cash flow	31,972	31,800	40,966	26,617
Investing activities				
Acquisition of property, plant and equipment	(1,075)	(1,079)	—	—
Expenditure on intangible assets	—	(574)	—	—
Cash consideration transferred in relation to acquisition	(18,214)	—	—	—
Purchase of investments	(200,096)	(173,831)	(200,096)	(173,831)
Sale of investments	140,440	166,908	140,327	166,908
Goodwill relating to subsidiary undertakings	—	19	—	—
Amounts receivable from intercompany	—	—	(55,935)	—
Cash flow from investing activities	(78,945)	(8,557)	(115,704)	(6,923)
Financing activities				
Intercompany funding	—	—	25,933	17,708
Interest paid	(5,277)	(5,278)	(5,567)	(5,206)
Dividends paid	(34,923)	(46,071)	(34,923)	(46,071)
Payment of lease liability	(371)	(1,163)	—	—
Proceeds of increase in share capital	32,810	132	32,810	132
Proceeds of issuance of long-term borrowings	50,000	—	50,000	—
Purchase of own shares	(1,754)	(129)	—	—
Net cash flow from financing activities	40,485	(52,509)	68,253	(33,437)
Net increase/(decrease) in cash and cash equivalents	(6,488)	(29,266)	(6,485)	(13,743)
Cash and cash equivalents at beginning of period	41,762	71,236	32,098	46,128
Foreign exchange (losses)/gains on cash and cash equivalents	606	(208)	(106)	(287)
Cash and cash equivalents at end of period	35,880	41,762	25,507	32,098

NB: Total cash received in relation to dividend income was:
Group: £27,550k (2020: £18,206k)
Company: £42,500k (2020: £31,915k)

Notes to the accounts

for the year end 31 December 2021

1. Summary of significant accounting policies

General information

The Law Debenture Corporation p.l.c. is a public company incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales. These financial statements are presented in sterling, which is the currency of the primary economic environment in which the Group operates and are rounded to the nearest thousand. Foreign operations are included. The address of the registered office is given on page 136. The Group's operations and its principal activities are as an investment trust and the provider of independent professional services.

Guarantees issued to subsidiaries

For the year ending 31 December 2021 the following subsidiaries of the Company were entitled to exemption from audit under s479A of the Companies Act 2006 relating to subsidiary companies. The Company has given a statement of guarantee under s479C of the Companies Act 2006, whereby the Company guarantees all outstanding liabilities to which the respective subsidiary companies are subject to as at 31 December 2021:

	Country of incorporation	Registered number
Law Debenture Corporation (Deutschland) Limited	UK	04019781
Law Debenture Governance Services Limited	UK	07466833
LDC (NCS) Limited	UK	07384180
Law Debenture Intermediary Corporation p.l.c.	UK	01525148

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 (IASs) in conformity with the requirements of the Companies Act 2006 and in accordance with International Financial Reporting Standards (IFRS) as adopted and endorsed by the UK.

The accounts have been prepared under the historical cost basis of accounting, modified to include the revaluation of investment at fair value.

Where presentational guidance set out in the Statement of Recommended Practice: Financial Statements of Investment Trust Companies and Venture Capital Trusts (issued in April 2021) (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 twelve months from the date of approval of the financial statements.

The Directors have also considered the ongoing impact of Covid-19, across the Group, including cash flow forecasting, balance 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. 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 twelve 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.

Adoption of new and revised standards

There have been no new accounting standards implemented by the Group during the year and no revisions to accounting standards have had a material impact on the Group's financial statements.

1. Summary of significant accounting policies continued

Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

Key sources of estimation uncertainty

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. There are no material accounting estimates. The critical judgement in relation to IFRS 10 is described below.

Critical accounting judgements

The consolidated financial statements incorporate the financial statements of The Law Debenture Corporation p.l.c. and entities controlled by the Company (its subsidiaries and businesses) made up to the end of the financial period. Management has not applied the IFRS 10, 'Consolidated Financial Statements' investment entity exemption available and therefore the financial statements of the Law Debenture Corporation p.l.c. and its subsidiaries continue to be consolidated.

The subsidiaries of the Group comprise the IPS trading companies and the IPS business has historically, and continues to be, managed, and operated as an integrated business within the Group. In addition to the Investment Trust, The Law Debenture Corporation p.l.c Board plays an active role in the oversight of the IPS business.

A judgement was therefore made by Management that the Company did not meet the criteria for the investment entity exemption, on the basis that the IPS business was viewed by management and the Board as a distinct trading group, rather than as a portfolio investment for the Company.

Basis of consolidation

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 subsidiaries and businesses 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% (2020: 25%)
- Capital 75% (2020: 75%)

1. Summary of significant accounting policies continued

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.

Office improvements	over the remaining lease period – rental terms are for fixed periods of between 1 to 10 years
Furniture and equipment	3-10 years
Right-of-use assets	over the remaining lease period – rental terms are for fixed periods of between 1 to 10 years

Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. The consideration transferred in the acquisition is measured at the aggregate of fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Any goodwill that arises is tested annually for impairment (refer to Goodwill section below). Any gain on a bargain purchase is recognised in profit or loss immediately. Acquisition-related costs are recognised in profit or loss as incurred. Where applicable, any contingent consideration payable is measured at fair value at the acquisition date. Subsequent changes in fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (which is subject to a maximum of one year). Changes in the fair value of contingent consideration classified as equity are not recognised.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS3 'Business Combinations' are recognised at their fair value at the acquisition date, except where a different treatment is mandated by another standard.

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 subsidiaries and businesses 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 tested annually for impairment. An impairment loss is recognised if the carrying amount of an asset or cash-generating unit (CGU) exceeds its recoverable amount. Any impairment would be recognised in profit or loss and is not subsequently reversed.

Intangible assets acquired in a business combination
Intangible assets acquired in a business combination and recognised separately to goodwill are initially recognised at their fair value at the acquisition date and have finite useful lives. Following initial recognition, intangible assets are measured at cost less accumulated amortisation and accumulated impairment losses (where applicable). The Group does not have intangible assets with indefinite useful lives.

Customer relationships can arise on the acquisition of subsidiaries and businesses and represent the incremental value expected to be gained as a result of the existing contracts transferred as part of the acquired business. These assets are amortised over the length of the average length of the related contracts.

Amortisation is recognised in the income statement on a straight-line basis over their estimated useful lives. The estimated useful lives for Customer Relationships is eight years.

For the newly acquired intangibles relating to business combinations, please see note 13.

Impairment of assets

The Group reviews the carrying amounts of its tangible and intangible assets (including goodwill) on a regular basis, and at a minimum at each reporting date, to assess whether there is any indication of impairment loss, or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If any such indication exists, then the asset's recoverable amount is estimated.

An impairment loss is recognised for the amount by which an asset's carrying amount exceeds its recoverable amount.

Financial instruments

Investments
Listed and unlisted investments which comprise the investment trust portfolio, have been classified 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.

1. Summary of significant accounting policies continued

Financial instruments continued

Trade receivables
Trade receivables are recognised initially at transaction price and subsequently measured at amortised cost less any provision for impairment and expected credit losses, to ensure that amounts recognised represent the recoverable amount.

Trade payables
Trade payables are recognised at fair value and subsequently measured at amortised cost.

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.

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 less provision for impairment.

1. Summary of significant accounting policies continued

Revenue recognition

The Group recognises revenue from the following major sources.

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a service to a customer.

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.

Independent Professional Services fees
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 change 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 company secretarial services, structured finance, 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 CSS, Structured Finance 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.

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.

1. Summary of significant accounting policies continued

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 2021 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.

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.

1. Summary of significant accounting policies continued

Leases

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 was updated during the year following the issuance of a further two debentures, lowering the rate to 3.966% (previously 4.589%). Where there has been a lease modification and/or a new lease arrangement entered into, this rate has been applied.

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.

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

	2021 £000	2020 £000
Realised gains based on historical cost	55,668	62,233
Amounts recognised as unrealised in previous years	(35,638)	(51,586)
Realised gains based on carrying value at previous year end date	20,030	10,647
Unrealised (loss)/gain on investments	101,140	(27,001)
Net capital gain/(loss) on investments	121,170	(16,354)

3. Administrative expenses

	2021 £000	2020 £000
Administrative expenses include:		
Salaries and Directors' fees	18,369	13,762
Social security costs	2,103	1,622
Other pension costs	1,262	1,093
	21,734	16,477
Investment management fee*	569	447
Depreciation – property, plant and equipment	220	37
Depreciation – right-of-use assets	858	1,179
Amortisation – intangible assets	490	59
Interest on lease liability	297	49
Foreign exchange	26	(35)
Auditors' remuneration	405	289
Other property costs	820	511
IT infrastructure	1,326	791
Business development	207	83
Professional fees	1,663	950
Other expenses	3,065	4,042
Administrative expenses	31,680	24,879

* 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 102.

During the year, the Group employed an average of 222 staff (2020: 152). 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 31 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:

	2021 £000	2020 £000
Audit services		
– fees payable to the Company's auditors for the audit of its financial statements*	376	275
– audit related regulatory	29	14
	405	289

* Including the Company £60,000 (2020: £48,000).

A description of the work of the Audit and Risk Committee is set out in the Audit and Risk Committee report on pages 64 to 66 and includes an explanation of how auditor objectivity and independence is safeguarded when non-audit services are provided by the auditors.

4. Remuneration of Directors (key management personnel)

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

	2021 £000	2020 £000
Short-term benefits including fees in respect of Directors	1,257	1,286
Deferred share bonus scheme	18	–
	1,275	1,286

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

5. Interest

	2021 £000	2020 £000
Interest Income		
Interest on bank deposits	–	1
Returns on money market funds	–	88
	–	89
Interest Payable		
Interest on long-term debt – revenue	1,319	1,320
Interest on long-term debt – capital	3,958	3,958
	(5,277)	(5,278)
Net interest payable	(5,277)	(5,189)

6. Segment analysis

	Investment portfolio		Independent professional services		Group charges		Total	
	31 December 2021 £000	31 December 2020 £000	31 December 2021 £000	31 December 2020 £000	31 December 2021 £000	31 December 2020 £000	31 December 2021 £000	31 December 2020 £000
Revenue								
Dividend income	26,259	17,937	–	–	–	–	26,259	17,937
IPS fees								
Corporate trust	–	–	13,317	15,069	–	–	13,317	15,069
Corporate services	–	–	22,981	12,249	–	–	22,981	12,249
Pensions	–	–	13,215	11,580	–	–	13,215	11,580
Segment income	26,259	17,937	49,513	38,898	–	–	75,772	56,835
Other income	551	213	–	6	–	–	551	219
Cost of sales	(110)	–	(7,927)	(4,405)	–	–	(8,037)	(4,405)
Administration costs	(3,434)	(2,570)	(28,246)	(22,301)	–	(8)	(31,680)	(24,879)
Release of onerous contracts	–	–	–	–	–	118	–	118
	23,266	15,580	13,340	12,198	–	110	36,606	27,888
Interest payable (net) (note 5)	(1,319)	(1,260)	–	29	–	–	(1,319)	(1,231)
Return, including profit on ordinary activities before taxation	21,947	14,320	13,340	12,227	–	110	35,287	26,657
Taxation	–	–	(1,210)	(1,178)	–	–	(1,210)	(1,178)
Return, including profit attributable to shareholders	21,947	14,320	12,130	11,049	–	110	34,077	25,479
Revenue return per ordinary share (pence)	18.09	12.12	10.00	9.35	–	0.09	28.09	21.56
Assets	1,020,114	850,255	71,903	36,246	–	21	1,092,017	886,522
Liabilities	(175,418)	(146,992)	(37,762)	(12,536)	–	–	(213,180)	(159,528)
Total net assets	844,696	703,263	34,141	23,710	–	21	878,837	726,994

Net revenue is calculated by reducing segment income by cost of sales.

6. Segment analysis continued

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 3% 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 (2021 gain of £121,170,000; 2020 loss of £16,354,000), administrative expenses (2021: £2,456,000; 2020: £2,216,000), interest payable (2021: £3,958,000; 2020: £3,958,000) and a capital dividend payable of £12,652,000 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 96.

Details regarding the segments are included on page 1 – Group summary and in note 1 – Segment reporting on page 103.

	Investment portfolio		Independent professional services		Total	
	31 December 2021 £000	31 December 2020 £000	31 December 2021 £000	31 December 2020 £000	31 December 2021 £000	31 December 2020 £000
Other information						
Capital expenditure	–	–	4,493	1,652	4,493	1,652
Depreciation and amortisation	–	–	710	96	710	96
Depreciation – right-of-use assets	–	–	858	1,179	858	1,179

7. Taxation

	2021 £000	2020 £000
Taxation based on revenue for the year comprises:		
UK Corporation tax at 19.0% (2020: 19.0%)	676	404
Foreign tax charge	318	338
Total current tax charge	994	742
Deferred tax charge	216	436
Charge for the year	1,210	1,178

7. Taxation continued

Taxation

The charge for the year can be reconciled to the profit per the income statement as follows:

	2021 £000	2020 £000
Profits before taxation	150,043	4,129
Tax on ordinary activities at standard rate 19.0% (2020: 19.0%)	28,508	785
Effects of:		
Permanent tax adjustments	(29)	(79)
Higher rates of tax on foreign income	118	128
Non-taxable capital (gains)/losses	(22,879)	6,405
Tax credit on dividend income	(5,032)	(5,926)
Limit on Group relief for UK interest expense	308	133
Deferred tax movement	216	–
Prior year under/(over) provision in respect of current tax	–	(56)
Deferred tax on movement in provision for onerous contracts	–	(212)
Total	1,210	1,178

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%.

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 2019	430	(513)	(83)
(Charge) to income	(246)	(190)	(436)
(Charge)/credit to other comprehensive income	–	1,235	1,235
Other	55	–	55
At 31 December 2020	239	532	771
(Charge) to income	(44)	(172)	(216)
(Charge)/credit to other comprehensive income	–	(1,615)	(1,615)
At 31 December 2021	195	(1,255)	(1,060)

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 £1,416,157 (2020: £1,281,501) as their usability cannot be predicted with reasonable certainty.

8. Dividends on ordinary shares

	2021 £000	2020 £000
Dividends on ordinary shares comprise the following:		
2021 Interims† 20.625p (2020: 19.50p)	25,309	23,096
2020 Final 8.00p (2019: 12.90p)	9,614	22,976
Total for year	34,923	46,072

† 2021 interim dividends were paid in July 2021, October 2021 and January 2022.

Proposed final dividend for the year ended 31 December 2021

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.

	2021 £000	2020 £000
2021 Interims† 20.625p (2020: 19.50p)	25,309	23,096
2021 Final 8.375p (2020: 8.00p)	10,374	9,476
	35,683	32,572

† 2021 interim dividends were paid in July 2021, October 2021 and January 2022.

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.

9. Net asset value/return per share

NAV per share is calculated based on 122,424,129 (2020: 118,173,664) shares, being the total number of shares on issue of 122,915,835 (2020: 118,454,562), less 491,706 (2020: 267,752) shares, acquired by the ESOT on the open market. The net asset value of £964,493,000 (2020: £787,219,000) comprises the NAV per the balance sheet of £878,837,000 (2020: £726,994,000) plus the fair value adjustment for the IPS business of £135,885,000 (2020: £112,407,000), less the fair value adjustment for the debt of £50,229,000 (2020: £52,204,000).

Revenue return per share is based on profits attributable of £34,077,000 (2020: £25,479,000).

Capital gain per share is based on capital gains for the year of £114,756,000 (2020: losses £22,528,000).

Total return per share is based on net gains for the year of £148,833 (2020: gain £2,951,000).

The calculations of returns per share are based on 121,308,792 (2020: 118,171,875) shares, being the weighted average number of shares in issue during the year after adjusting for shares owned by the ESOT. In 2021, total revenue and capital diluted returns per share were calculated using 121,339,880 shares (2020: 118,192,860 shares), being the diluted weighted average number of shares in issue assuming exercise of options at less than fair value. There were 50,736 (2020: none) antidilutive shares.

10. Acquisition of business

On 29 January 2021, the Group acquired the company secretarial business ("CSS") of Konexo, a division of Eversheds Sunderland International LLP group, a global provider of legal services. The business was valued at £20m. The consideration paid was £18.2m, after netting net liabilities acquired of £1.76m.

The acquisition of CSS was part of the Group's strategy to become a global leader in company secretarial services, further adding to its client portfolio and complementing the other services provided by the independent professional services business. Control was obtained through the assets and liabilities acquired, the transfer of employees and ability to direct the relevant activities of CSS following acquisition.

From the date of acquisition to 31 December 2021, CSS contribution to the net revenue to the Group's financial statements was £5,698,000 for the year ending 31 December 2021. If the acquisition had occurred on 1 January 2021, management estimates that consolidated net revenue and for the period ending 31 December 2021 would have further increased by approximately £518,000.

The accounting policies are aligned with those of the Group where appropriate.

10. Acquisition of business continued

Identifiable assets acquired and liabilities assumed

The fair value of the assets and liabilities were defined as reflective of their market value. The following table summarises the recognised amounts of assets acquired and liabilities assumed at the acquisition date and valued on fair value. The amount of gross receivables not expected to be recovered is immaterial. There are no contingent liabilities recognised in accordance with paragraph 23 of IFRS 3 (revised).

	Fair value determination approach[1]	Fair Value recognised on acquisition £000
Intangible assets	Multi-period excess earnings	2,963
Trade receivables[2]	Cost	488
Other receivables	Cost	1
Assets		3,452
Contract liabilities	Cost	1,761
Trade and other payables	Cost	32
Other payables	Cost	482
Liabilities		2,275
Total identifiable net assets at fair value		1,177

1 The fair valuation method mentioned for each financial position is the most typical for each category applied at the acquisition.

2 Trade receivables at acquisition is based on the contractual amount to be billed reflective of performance obligations delivered.

Goodwill

Goodwill arising from the acquisition has been recognised as follows:

	2021 £000
Consideration transferred	18,214
Less: Fair value of identifiable net liabilities	(1,177)
Goodwill	17,037

The consideration was transferred in cash.

The excess of the fair value of the consideration paid over the fair value of the assets and liabilities acquired is represented by customer relationship intangibles of £2,963,000 with residual goodwill of £17,037,000.

Goodwill represents:

(a) the technical expertise of the acquired workforce; and

(b) expansion of the Group's client base and market share.

The goodwill arising on the acquisition is not expected to be deductible for tax purposes.

The accounting for the acquisition is provisional and is dependent on the finalisation of the initial consideration. This is subject to agreement of certain contractual adjustments and other provisional balances.

Acquisition related expenses

The Group incurred acquisition-related costs of £456,000 relating to external legal fees and due diligence costs. These costs have been recognised in other operating expenses in the Group's consolidated statement of comprehensive income.

Impact on cash flow

	2021 £000
Cash consideration transferred	(18,214)
Acquisition	(18,214)

11. Goodwill

GROUP	2021 £000	2020 £000
Cost		
At 1 January	2,329	2,359
Additions	17,037	–
Foreign exchange	30	(30)
At 31 December	19,396	2,329
Provision for impairment		
At 1 January	415	428
Foreign exchange	8	(13)
At 31 December	423	415
Net book value at 31 December	18,973	1,914

Impairment testing for cash-generating units containing goodwill

For the purpose of impairment testing, goodwill is allocated to the Group's cash-generating units, being its operating business units. That is not the same as our reportable segments disclosed under note 6, with the identified cash-generating units for goodwill being one level below that of a reportable operating segment. Cash flows at the business unit level are independent from the other cash flows and this is the lowest level at which goodwill is monitored by the Board. The aggregate carrying amounts of goodwill allocated to each CGU are as follows:

GROUP	Balance at 1 January 2021 £000	Business Combinations £000	Movements in exchange rates £000	Impairment £000	Balance at 31 December 2021 £000
CGU Safecall	1,419	–	–	–	1,419
CGU Delaware Corporate Services (DCS)	495	–	22	–	517
CGU CSS	–	17,037	–	–	17,037
Total	1,914	17,037	22	–	18,973

GROUP	Balance at 1 January 2020 £000	Business Combinations £000	Movements in exchange rates £000	Impairment £000	Balance at 31 December 2020 £000
CGU Safecall	1,419	–	–	–	1,419
CGU Delaware Corporate Services (DCS)	940	–	(17)	(428)	495
Total	2,359	–	(17)	(428)	1,914

The addition to goodwill during the year arises on acquisition of the company secretarial services ("CSS") business. See acquisition note 10 on pages 113 to 114.

At 31 December 2021 the goodwill in relation to the cash-generating units ("CGU") was reviewed and tested for impairment. The review assessed whether the carrying value of the goodwill exceeded its recoverable amount. The recoverable amount of a CGU is the greater of its value in use and its fair value less costs to sell. The basis of the recoverable amount used in the impairment tests for the CGU's is the value in use. In assessing value in use, the net present value of future cash flows, based on management forecasts for 2022, is compared to the recoverable amounts. The methodology applied is in line with those tests performed in the prior period.

For each of the CGUs, the recoverable amount valuations indicated sufficient headroom such that a reasonably possible change to key assumptions is unlikely to result in an impairment of the related goodwill.

11. Goodwill continued

The key quantifiable assumptions applied in the impairment review are set out below:

GROUP	Discount Rate 2021 %	Discount Rate 2020 %	Short-term growth rates 2021 %	Short-term growth rates 2020 %	Terminal growth rates 2021 %	Terminal growth rates 2020 %
CGU Safecall	8.0	9.0	5.0	5.0	2.0	1.5
CGU DCS	8.0	9.0	5.0	5.0	2.2	1.5
CGU CSS	8.0	—	5.0	—	2.0	—

Discount rate

The discount rate of 8% applied to projected cash flows is derived from the Group's pre-tax weighted average cost of capital. These rates are reviewed annually.

Terminal growth rates

The calculations include a terminal value based on the projections for the fifth year of the forecasted cash flows, with a growth rate assumption applied which extrapolates the business into perpetuity. The terminal growth rates are based on long-term inflation rates of the geographic market in which the CGUs predominantly operate.

Short-term growth rates

The annual impairment test is performed immediately prior to the year end, based initially on 2022 detailed forecasts approved by the Board. Despite strong track record for historical growth rates over the last four years, short-term growth rates have been applied to each CGU for the purpose of the goodwill impairment testing.

Sensitivity analysis

Sensitivity analysis has been performed for each goodwill asset, applying an increase in the discount rate of between 1.0% and 2.5% and a reduction in short-term growth rates to 2.0% and 0% since there is a degree of estimation uncertainty in the cash flows associated with each CGU.

No impairment results from these changes even with the increases in discount rates, which reflect a reduction in short-term growth rates.

12. Property, plant and equipment

GROUP	2021 Office improvements £000	2021 Furniture and equipment £000	2021 Total £000	2020 Office improvements £000	2020 Furniture and equipment £000	2020 Total £000
Cost						
At 1 January	114	1,334	1,448	913	1,835	2,748
Additions at cost	–	1,106	1,106	–	1,079	1,079
Disposals at cost	(31)	–	(31)	(796)	(1,576)	(2,372)
Foreign exchange	–	–	–	(3)	(4)	(7)
At 31 December	83	2,440	2,523	114	1,334	1,448
Accumulated depreciation						
At 1 January	102	258	360	900	1,784	2,684
Charge	12	208	220	17	20	37
Disposals at cost	(31)	–	(31)	(813)	(1,544)	(2,357)
Foreign exchange	–	–	–	(2)	(2)	(4)
At 31 December	83	466	549	102	258	360
NET BOOK VALUE						
Net book value at 31 December	–	1,974	1,974	12	1,076	1,088

The Company holds no property, plant and equipment.

13. Other intangible assets

GROUP	2021 Computer Software £000	2021 IT project Costs £000	2021 Customer Relationships £000	2021 Intangible Total £000	2020 Computer Software £000	2020 IT project Costs £000	2020 Customer Relationships £000	2020 Intangible Total £000
Cost								
At 1 January	1,160	567	–	1,727	1,814	–	–	1,814
Additions at cost	23	401	2,963	3,387	6	567	–	573
Disposals at cost	–	–	–	–	(660)	–	–	(660)
Foreign exchange	–	–	–	–	–	–	–	–
At 31 December	1,183	968	2,963	5,114	1,160	567	–	1,727
Accumulated depreciation								
At 1 January	1,108	–	–	1,108	1,710	–	–	1,710
Charge	30	121	340	490	59	–	–	59
Disposals at cost	–	–	–	–	(661)	–	–	(661)
Foreign exchange	–	–	–	–	–	–	–	–
At 31 December	1,138	121	340	1,598	1,108	–	–	1,108
NET BOOK VALUE								
Net book value at 31 December	45	847	2,623	3,516	52	567	–	619

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14. Investments

Investments held at fair value through profit or loss

GROUP	2021 Listed £000	2021 Unlisted £000	2021 Total £000	2020 Listed £000	2020 Unlisted £000	2020 Total £000
Opening cost at 1 January	698,413	3,547	701,960	629,845	3,547	633,392
Gains at 1 January	109,593	744	110,337	188,402	522	188,924
Opening fair value at 1 January	808,006	4,291	812,297	818,247	4,069	822,316
Purchases at cost	200,096	–	200,096	173,831	–	173,831
Cost of acquisition	(645)	–	(645)	(588)	–	(588)
Sales – proceeds	(140,327)	(113)	(140,440)	(166,908)	–	(166,908)
– realised gains on sales	55,668	–	55,668	62,233	–	62,233
Gains/(losses) in the income statement	64,620	882	65,502	(78,809)	222	(78,587)
Closing fair value at 31 December	987,418	5,060	992,478	808,006	4,291	812,297
Closing cost at 31 December	811,314	3,431	814,745	698,413	3,547	701,960
Gains	176,104	1,629	177,733	109,593	744	110,337
Closing fair value at 31 December	987,418	5,060	992,478	808,006	4,291	812,297

Fair value through profit or loss

COMPANY	2021 Listed £000	2021 Unlisted £000	2021 Total £000	2020 Listed £000	2020 Unlisted £000	2020 Total £000
Opening cost at 1 January	703,511	3,333	706,844	634,943	3,333	638,276
Gains at 1 January	104,495	744	105,239	183,304	522	183,826
Opening fair value at 1 January	808,006	4,077	812,083	818,247	3,855	822,102
Purchases at cost	200,096	–	200,096	173,831	–	173,831
Cost of acquisition	(645)	–	(645)	(588)	–	(588)
Sales – proceeds	(140,327)	–	(140,327)	(166,908)	–	(166,908)
– realised gains on sales	55,668	–	55,668	62,233	–	62,233
Gains/(losses) in the income statement	64,620	883	65,503	(78,809)	222	(78,587)
Closing fair value at 31 December	987,418	4,960	992,378	808,006	4,077	812,083
Closing cost at 31 December	811,314	3,331	814,645	703,511	3,333	706,844
Gains	176,104	1,629	177,733	104,495	744	105,239
Closing fair value at 31 December	987,418	4,960	992,378	808,006	4,077	812,083

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

	2021 £000	2020 £000
Cost		
At 1 January	61,283	61,283
Additions in year	–	–
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	2021 £000	2020 £000
EBITDA at a multiple of 10.80 (2020: 9.4)	165,985	125,349
Surplus net assets	4,041	10,605
	170,026	135,954

An increase or decrease of 1 in the multiple would give rise to a £21.9m change in the fair valuation of the IPS. The adjustment to NAV to reflect the IPS fair value is an increase of 111.00p per share (2020: 95.12p).

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 137. 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

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. 3 Scheme) Pension Trust Corporation

The Law Debenture (No. 5) Trust Corporation

The Law Debenture (1996) Pension Trust Corporation

14. Investments continued

The Law Debenture (BAA) Pension Trust Corporation

The Law Debenture (BIS Management) Pension Trust Corporation

The Law Debenture (BIS Retirement) Pension Trust Corporation

The Law Debenture (Intel Old Plan) Pension Trust Corporation

The Law Debenture (SAPP) 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 (Swiss Re GB) Trust Corporation

Law Debenture (GWR) Pension Trust Corporation

The Law Debenture (JGDBS) Pension Trust Corporation

ICI Pensions Trustee Limited

AstraZeneca Pensions Trustee Limited

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

CD Corporate Director No. 1 Limited

LDC Nominee Secretary Limited

LD (Holdco) Limited

LD (Bidco) Limited

Westminster Aviation Holdings 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)

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 unlisted investments.

Investment trust

The majority of the investment portfolio is invested in listed investments. A small minority of investments (approximately 0.5% of the portfolio) 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. Contract assets, trade and other receivables

The Directors consider that the carrying value approximates to the fair value.

The average credit period on sales of goods is 30 days. No interest is charged on outstanding trade receivables.

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.

An expected credit loss (ECL) is recognised against contract assets only when it is considered to be material and there is evidence that the credit worthiness of a counterparty may render balances irrecoverable. Refer to note 15 for further details on IFRS 9 expected credit losses.

Contract assets arise from the Group's IPS business which enters into contracts that can take more than one year to complete.

	GROUP		COMPANY	
Contract assets: current	2021 £000	2020 £000	2021 £000	2020 £000
Amounts included in contract assets that were recognised as revenue	6,611	5,994	583	1,889

Trade and other receivables: current	2021 £000	2020 £000	2021 £000	2020 £000
Trade receivables	18,654	16,129	552	4,084
Other receivables	233	318	—	—
Prepayments	1,579	217	1,094	100
Amounts receivable from intercompany	—	—	55,935	—
	20,466	16,664	57,581	4,184

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. Contract liabilities, trade and other payables

Contract liabilities: Current	GROUP 2021 £000	GROUP 2020 £000	COMPANY 2021 £000	COMPANY 2020 £000
Deferred Income	5,620	4,367	34	16

Contract liabilities: Non-current	2021 £000	2020 £000	2021 £000	2020 £000
Deferred Income	4,054	4,011	125	125

Contract liabilities comprise of deferred income, representing fees billed in advance in respect of services under contract.

The allocation of deferred income between current and non current is presented on the basis that the current portion will unwind and released to revenue within the next twelve months. There were no material items in the current portion of deferred income in 2020 which did not unwind during the year.

Trade and other payables: Current	GROUP 2021 £000	GROUP 2020 £000	COMPANY 2021 £000	COMPANY 2020 £000
Trade payables	8,527	7,691	202	254
Other payables	20,747	19,670	13,245	12,821
Accruals	55	44	—	—
	29,329	27,405	13,447	13,075

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	2021 £000	2020 £000
Value		
As at 1 January	5,923	5,921
Issued in year	222	2
As at 31 December	6,145	5,923

Shares	Number	Number
As at 1 January	118,454,562	118,429,010
Issued in year	4,461,273	25,552
As at 31 December	122,915,835	118,454,562

During the year to 31 December 2021, 16,068 shares (2020: 25,552 shares) were allotted under the SAYE scheme for a total consideration of £218,006 (2020: £131,163) which includes a premium of £217,203 (2020: £129,885).

During the year, 53,048 options were granted under the Company's SAYE scheme. At 31 December 2021, options under the SAYE scheme exercisable from 2021 to 2026 at prices ranging from 594.75p to 778.00p per share were outstanding in respect of 176,747 ordinary shares (2020: 160,485 ordinary shares). During 2021, 20,718 options lapsed or were cancelled (2020: 6,300) and 16,068 (2020: 25,552) were exercised.

Further details of options outstanding are given in the Directors' report on page 56.

Own shares held – GROUP	2021 £000	2020 £000
Value		
Own shares held - cost	3,215	1,461

18. Called up share capital continued

The own shares held represent the cost of 491,706 (2020: 267,752) 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 2021 was £3,928,731 (2020: £1,847,489).

19. Capital reserves

			2021			2020
GROUP	Unrealised appreciation £000	Realised reserves £000	Total £000	Unrealised appreciation £000	Realised reserves £000	Total £000
At 1 January	101,949	572,642	674,591	181,411	515,708	697,119
Transfer on disposal of investments	(35,638)	35,638	—	(51,586)	51,586	—
Net gains on investments	101,140	20,030	121,170	(27,001)	10,647	(16,354)
Cost of acquisition	(645)	—	(645)	(588)	—	(588)
Foreign exchange	(29)	—	(29)	(287)	—	(287)
Transfers to revenue	—	(5,664)	(5,664)	—	(5,299)	(5,299)
At 31 December	166,777	622,646	789,423	101,949	572,642	674,591

			2021			2020
COMPANY	Unrealised appreciation £000	Realised reserves £000	Total £000	Unrealised appreciation £000	Realised reserves £000	Total £000
At 1 January	95,230	637,959	733,189	174,692	581,025	755,717
Transfer on disposal of investments	(35,638)	35,638	—	(51,586)	51,586	—
Net gains on investments	101,140	20,030	121,170	(27,001)	10,647	(16,354)
Cost of acquisition	(645)	—	(645)	(588)	—	(588)
Foreign exchange	(29)	—	(29)	(287)	—	(287)
Transfers to revenue	—	(5,664)	(5,664)	—	(5,299)	(5,299)
Dividends paid from capital	—	(12,728)	(12,728)	—	—	—
At 31 December	160,058	675,235	835,293	95,230	637,959	733,189

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 29.

20. Financial instruments continued

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 30 and includes a ceiling on effective gearing of 50%, with a typical range of 10% net cash to 20% gearing. At 31 December 2021 gearing was 13% (2020: 9%). Gearing is calculated in line with net gearing guidelines from the AIC.

Capital is represented by the Group's net assets. The Group and Company held the following categories of financial assets and liabilities at 31 December 2021:

GROUP	2021 £000	2020 £000
Assets		
Financial assets held at fair value through profit or loss:		
Equity investments	992,478	812,297
Financial assets held at amortised cost		
Trade and other receivables	20,466	16,129
Cash and cash equivalents	35,880	41,762
	56,346	57,891
Total financial assets	1,048,824	870,188
Liabilities		
Financial liabilities measured at amortised cost		
Trade and other payables	29,329	27,405
Long-term borrowings	164,245	114,201
Lease liability	6,404	5,606
Total financial liabilities	199,978	147,212

COMPANY	2021 £000	2020 £000
Assets		
Financial assets held at fair value through profit or loss:		
Equity investments	992,378	812,083
Financial assets held at amortised cost		
Trade and other receivables	57,581	4,084
Cash and cash equivalents	25,507	32,098
	83,088	36,182
Total financial assets	1,075,466	848,265
Liabilities		
Financial liabilities measured at amortised cost		
Amounts owed to subsidiary undertakings	87,631	61,698
Trade and other payables	13,447	13,075
Long-term borrowings	124,586	74,569
Total financial liabilities	225,664	149,342

20. Financial instruments continued

The principal risks facing the Group in respect of its financial instruments remain unchanged from 2020 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 175. 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 2021 fell or rose by 10%, the impact on the Group's total profit or loss for the year would have been £99.2m (2020: £81.2m). Corresponding 10% changes in the valuation of the investment portfolio on the Company's total profit or loss for the year would have been £99.2m (2020: £81.2m).

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:

			2021			2020
GROUP	Investments £m	Net monetary assets £m	Total currency exposure £m	Investments £m	Net monetary assets £m	Total currency exposure £m
US Dollar	44.7	3.6	48.3	40.1	11.7	51.8
Canadian Dollar	6.1	—	6.1	5.5	—	5.5
Euro	72.6	1.1	73.7	65.2	0.4	65.6
Danish Krone	2.3	—	2.3	2.3	—	2.3
Swedish Krona	1.2	—	1.2	—	—	—
Swiss Franc	9.6	—	9.6	9.5	—	9.5
Hong Kong Dollar	—	1.0	1.0	—	1.0	1.0
Japanese Yen	11.2	—	11.2	9.3	—	9.3
Total	147.7	5.7	153.4	131.9	13.1	145.0

The Group US dollar net monetary assets is that held by the US operations of £2m (2020: £1.4m) together with £3.6m (2020: £10.3m) held by non-US operations.

			2021			2020
COMPANY	Investments £m	Net monetary assets £m	Total currency exposure £m	Investments £m	Net monetary (liabilities) £m	Total currency exposure £m
US Dollar	44.7	0.1	44.8	40.1	9.9	50.0
Canadian Dollar	6.1	—	6.1	5.5	—	5.5
Euro	72.6	—	72.6	65.2	—	65.2
Danish Krone	2.3	—	2.3	2.3	—	2.3
Swedish Krona	1.0	—	1.0	—	—	—
Swiss Franc	9.6	—	9.6	9.5	—	9.5
Japanese Yen	11.2	—	11.2	9.3	—	9.3
Total	147.5	0.1	147.6	131.9	9.9	141.8

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 (2020: £7.1m. 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 2021 rose or fell by 10% against sterling, the impact on the Group's total profit or loss for the year would have been £17.3m and £14.1m respectively (2020: £15.5m and £12.5m). 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:

						2021
	GROUP				COMPANY	
	Sterling £m	HK Dollars £m	US Dollars £m	Euro £m	Sterling £m	US Dollars £m
Floating rate assets	29.7	1.0	3.6	1.1	25.0	0.1

						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

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	
	2021 Sterling £m	2020 Sterling £m	2021 Sterling £m	2020 Sterling £m
Fixed rate liabilities	164.2	114.2	124.2	74.5
Weighted average fixed rate for the year	3.966%	4.589%	3.276%	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 £314,000 credit (2020: £458,000 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 £233,000 credit (2020: £317,000 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, April and October for the 2034 secured bonds and May and November for the 2041 and 2050 senior secured notes.

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 £56.3m (2020: £57.9m). The Company's maximum exposure to credit risk arising from financial assets is £83.1m (2020: £36.2m).

20. Financial instruments continued

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

The ageing profile of the carrying value of trade receivables past due is as follows:

	GROUP		COMPANY	
	2021 £000	2020 £000	2021 £000	2020 £000
Between 31 and 60 days	3,342	2,382	—	—
Between 61 and 90 days	2,403	1,108	—	—
More than 91 days	10,941	10,614	—	—
Total	16,686	14,104	—	—

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.

The below table displays the gross carrying amount against the expected credit loss provision and specific provisions. Specific provisions relate to balances 91+days overdue.

The total specific and credit loss provision at 31 December 2021 is £ 3,314,000 (2020: £3,206,000).

	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 2021						
Expected loss rate	2.98%	2.94%	2.42%	4.45%	4.12%	3.62%
Gross carrying amount	1,343	3,939	3,342	2,403	10,941	21,968
Expected credit loss provision	(40)	(116)	(81)	(107)	(451)	(795)
Specific provision	—	—	—	—	(2,519)	(2,519)
Net carrying amount	1,303	3,823	3,261	2,296	7,971	18,654
31 December 2020						
Expected loss rate	2.64%	4.07%	4.03%	5.23%	4.35%	4.09%
Gross carrying amount	2,725	2,506	2,382	1,108	10,614	19,335
Expected credit loss provision	(72)	(102)	(96)	(58)	(462)	(790)
Specific provision	—	—	—	—	(2,416)	(2,416)
Net carrying amount	2,653	2,404	2,286	1,050	7,736	16,129

20. Financial instruments continued

Trade and other payables	GROUP 2021 £000	GROUP 2020 £000	COMPANY 2021 £000	COMPANY 2020 £000
Due in less than one month	27,988	27,139	10,860	13,075
Due in more than one month and less than three months	–	266	–	–
Total	27,988	27,405	10,860	13,075

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

In more than five years

Long-term borrowings are repayable as follows:

Secured	GROUP 2021 £000	GROUP 2020 £000	COMPANY 2021 £000	COMPANY 2020 £000
6.125% guaranteed secured bonds 2034	39,659	39,632	–	–
3.77% secured senior notes 2045	74,586	74,569	74,586	74,569
2.54% secured senior notes 2041	20,000	–	20,000	–
2.53% secured senior notes 2050	30,000	–	30,000	–
Total	164,245	114,201	124,586	74,569

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 5) 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 5) is payable semi-annually in equal instalments on 25 March and 25 September in each year.

The 2.54% Series A notes were issued by the Company. The £20m nominal tranche, which produced proceeds of £20m, is constituted by a note purchase agreement dated 2 November 2021 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 and with the charge given as part of the 3.77% note issue. The notes are redeemable at nominal amount on 2 November 2041. Interest is payable semi-annually in equal instalments on 2 May and 2 November in each year. The first interest payment will be made on 2 May 2022.

The 2.53% Series B notes were issued by the Company. The £30m nominal tranche, which produced proceeds of £30m, is constituted by a note purchase agreement dated 2 November 2021 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 and with the charge given as part of the 3.77% note issue. The notes are redeemable at nominal amount on 2 November 2050. Interest is payable semi-annually in equal instalments on 2 May and 2 November in each year. The first interest payment will be made on 2 May 2022.

The long-term borrowings are stated in the statement of financial position at book value. Including them at a fair value of £214.4m at 31 December 2021 (2020: £166.4m) would have the effect of decreasing the year end NAV by 41.03p (2020: 44.16p). 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 (2020: 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.

23. Leases

Management estimate that the fair value of the Group's lease obligations approximates their carrying amount.

There are no material future cash flows relating to leases in place as at 31 December 2021 that are not reflected in the minimum lease payments disclosed below and the Group does not have any leases to which it is contracted but which are not yet reflected in the minimum lease payments.

No lease liability is recognised in respect of leases which have a lease term of less than twelve months in duration at the point of entering into the lease, or where the purchase price of the underlying right-of-use asset is less than £5,000. Where relevant, the total value of these is immaterial.

Right-of-use assets

Additional information on the right-of-use assets is as follows:

	GROUP			
	Office building leases		Total right-of-use assets	
	31 December 2021 £000	31 December 2020 £000	31 December 2021 £000	31 December 2020 £000
Opening balance at 1 January	5,413	1,057	5,413	1,057
Leases signed in year	938	5,157	938	5,157
Lease extension	38	388	38	388
Depreciation	(858)	(1,179)	(858)	(1,179)
Foreign exchange difference	11	(10)	11	(10)
Closing NBV at 31 December	5,542	5,413	5,542	5,413

Lease liabilities	GROUP	
	Minimum lease payments	
Amounts payable under leases	31 December 2021 £000	31 December 2020 £000
Within one year	439	212
Between one and five years	4,130	2,872
After five years	3,388	4,256
	7,957	7,340
Less: future finance charges	(1,553)	(1,734)
Present value of lease obligations	6,404	5,606
Less: amounts due for settlement within one year (shown within current liabilities)	(287)	–
Amounts due for settlement after one year (shown within non current liabilities)	6,117	5,606

Leases signed in the year

During the year the Group signed a five year lease for its new office at 2 New Bailey, Manchester to house our company secretarial services function and our group shared service centre team.

On the lease commencement date the Group recognised a right-of-use asset of £531,226 and leasehold liability of £454,308. The right-of-use asset is recognised at leasehold liability (£454,308), plus capitalised direct costs (£14,068) plus dilapidation provision estimated costs of removal and restoring (£62,850).

A new three year lease agreement was entered into for the existing Hong Kong office premises following expiration of the previous contract.

On the lease commencement date the Group recognised a right-of-use asset of £379,061 and leasehold liability of £348,075. The right-of-use asset is recognised at leasehold liability (£348,075), there were nil direct costs plus dilapidation provision estimated costs of removal and restoring (£30,986).

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 2021. 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.

Contributions are set based upon funding valuations carried out every three years; the next valuation in respect of 31 December 2021 is currently underway. The estimated amount of total employer contributions expected to be paid to the plan during 2022 is £1.0m (2021 actual: £1.0m).

Actuarial gains and losses are recognised immediately through other comprehensive income.

The major assumptions in the 31 December 2021 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.

	2021	2020
Significant actuarial assumptions:		
Retail Price Inflation	3.30%	2.80%
Consumer Price Inflation*	RPI less 1.0% p.a. prior to 2030, RPI less 0.1% p.a. thereafter	RPI less 1.0% p.a. prior to 2030, RPI less 0.1% p.a. thereafter
CPI single equivalent rate	2.70%	2.20%
Discount rate	2.00%	1.30%
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.

	2021 years	2020 years
Life expectancy of male/female aged 65 in 2021	23.3/25.4	23.7/25.5
Life expectancy of male/female aged 65 in 2040	24.9/26.9	25.5/27.0
Weighted average duration	17.9	19.1

	2021 £000	2020 £000
The amounts recognised in the income statement are as follows:		
Interest expense/(income)	100	–
Total expense/(income) recognised in the income statement	100	–

24. Pension commitments continued

	2021 £000	2020 £000
The amounts recognised outside the income statement are as follows:		
Remeasurements	(8,500)	–
(Gain)/loss recognised outside the income statement	(8,500)	–

	2021		2020	
	Allocation %	£000	Allocation %	£000
The current allocation of plan assets is as follows:				
Equities	43	29,500	41	25,800
Corporate bonds	8	5,600	9	5,900
Government bonds	–	–	24	15,000
LDI	20	13,900	–	–
Pensioner annuities	1	700	1	800
Diversified growth funds	13	8,600	13	8,300
Infrastructure	9	6,200	10	6,000
Cash/other	6	3,800	2	1,200
Total	100	68,300	100	63,000

- 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 2022.
- At the time of writing, the value of the JP Morgan infrastructure fund on 31 December 2021 is unavailable. Therefore, the value of £6.2m used is at an effective date of 1 October 2021.
- 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.

Movement in present value of defined benefit obligation	2021 £000	2020 £000
Opening defined benefit obligation at 1 January	65,800	57,800
Interest on plan assets	900	1,200
Benefits paid	(2,600)	(1,600)
Actuarial losses/(gains) due to:		
Experience on benefit obligations	2,300	(400)
Changes in financial assumptions	(3,500)	9,100
Changes in demographic assumptions	(1,200)	–
Update to 31 December 2021 membership data (gain)/loss	–	(300)
Closing defined benefit obligation at 31 December	61,700	65,800

Movement in fair value of plan assets	2021 £000	2020 £000
Opening fair value of plan assets at 1 January	63,000	60,500
Interest expense on defined benefit obligation	800	1,200
Contributions by the employer	1,000	1,000
Benefits paid	(2,600)	(1,600)
Actual returns net of interest	6,100	1,900
Closing fair value of plan assets at 31 December	68,300	63,000

24. Pension commitments continued

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).

Movement in the net defined benefit liability	2021 £000	2020 £000
Opening net defined benefit liability/(asset) at 1 January	2,800	(2,700)
(Income)/expense charged to profit and loss	100	–
Employer contributions	(1,000)	(1,000)
Amount recognised outside of profit and loss	(8,500)	6,500
Closing net defined benefit (asset)/liability at 31 December	(6,600)	2,800

Amounts recognised in statement of financial position	2021 £000	2020 £000
Present value of defined benefit obligation	61,700	65,800
Fair value of plan assets	(68,300)	(63,000)
(Surplus)/deficit	(6,600)	2,800
Effect of asset ceiling	–	–
Net defined benefit (asset)/liability	(6,600)	2,800

Over the year to 31 December 2021, the balance sheet improved from a deficit of £2.8m to a surplus of £6.6m. The Directors have confirmed the entitlement to recognise the defined benefit asset with our Actuarial Advisors. This improvement is driven by:

- an significant increase in the discount rate during the year, which decreases the value of the pension obligations;
- changes to the mortality assumptions used to value the liability, which results in a decrease of the value of the pension obligations;
- investment returns on assets being higher than anticipated; and
- deficit reduction contributions paid by the Company of £1.0m during the year.

This was partially offset by:

- actual inflation being higher than that expected at the previous year end;
- an increase in expectations of future inflation, which increases the value of the pension obligations; and
- updated membership data.

Defined benefit scheme
The calculation of the defined benefit scheme assets and obligations is sensitive to the assumptions used.

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 2021 £ million	at 31 December 2020 £ million
Discount rate +0.1%	(1.1)	(1.2)
RPI Inflation assumptions +0.1%	0.8	1.0
Life expectancy at 65 +1 year	2.8	2.9
RPI/CPI gap 0.1% increase in wedge between RPI and CPI at all durations	(0.3)	(0.3)

25. Related party transactions

GROUP

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation.

25. Related party transactions continued

COMPANY

The related party transactions between the Company and its wholly owned subsidiary undertakings are summarised as follows:

	2021 £000	2020 £000
Dividends from subsidiaries	14,950	13,709
Interest on intercompany balances charged by subsidiaries	2,559	2,378
Management charges from subsidiaries	700	700

The key management personnel are the Directors of the Company. Details of their compensation are included in note 4 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 £1,438,456 (2020: £1,352,977).

26. Movement in borrowings

Under IAS 7, the movement in borrowings in the year are as follows:

GROUP	31 December 2021 £000	Non-cash items movement £000	31 December 2020 £000	Non-cash items movement £000	31 December 2019 £000
Long-term borrowings					
6.125% guaranteed secured bonds 2034	39,659	27	39,632	26	39,606
2.54% secured senior notes 2041	20,000	–	–	–	–
3.77% secured senior notes 2045	74,586	17	74,569	18	74,551
2.53% secured senior notes 2050	30,000	–	–	–	–
	164,245	44	114,201	44	114,157
COMPANY					
Long-term borrowings					
3.77% secured senior notes 2045	74,586	17	74,569	18	74,551
2.54% secured senior notes 2041	20,000	–	–	–	–
2.53% secured senior notes 2050	30,000	–	–	–	–
	124,586	17	74,569	18	74,551

The Group had no short-term borrowings in 2021 (2020: nil).

27. Distributable reserves

After paying the final dividend, the Company has retained earnings to pay 0.5 years of dividend payments at the current level. After paying the final dividend, the Group has retained earnings to pay 0.9 years of dividends at the current level. The Company has realised capital reserves of £675,235,000 (2020: £637,959,000) which would allow 18.9 (2020: 19.6) years of dividend payments at the current level. The Group has realised capital reserves of £622,646,000 (2020: £572,642,000) which would allow 17.4 (2020: 17.6) years of dividend payments at the current level.

28. Stock lending revenue

At 31 December 2021 the total value of securities on loan by the Company for stock lending purposes was £42,858,000 (2020: £19,325,000). The maximum aggregate value of securities on loan at any one time during the year ended 31 December 2021 was £74,924,000 (2020: £38,936,000).

Revenue derived from stock lending in 2021 is £551,000 (2020: £219,000).

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 9). 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 36 of the Annual Report. From 1 July 2021, 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 2, 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 128) is valued in the Statement of Financial Position (page 97) 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 128. 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 9 on page 113). The NAV with debt at fair value at 31 December 2021 was £964,493,000 (787.83 pence per ordinary share) and the NAV with debt at par was £1,014,722,000 (828.86 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 2021	787.83	828.86	799	1.4	(3.6)
At 31 December 2020	666.15	710.31	690	3.6	(2.9)

Gearing/(Net cash)

Net gearing is calculated by dividing total borrowings less cash and cash equivalents by shareholders' funds, expressed as a percentage.

			2021 £000	2020 £000
Borrowings (at PAR)	Statement of financial position		164,245	114,201
Cash and cash equivalents	Statement of financial position		(35,880)	(41,762)
Borrowings less cash		(a)	128,365	72,439
Net assets per Balance Sheet			878,837	726,994
Fair value uplift for IPS business			135,885	112,407
Debt fair value adjustment			(50,229)	(52,182)
Shareholders' funds	Page 36	(b)	964,493	787,219
Net gearing		(a/b)	13%	9%

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 applicable administrative expenses expressed as a percentage of the average net asset values with debt at fair value throughout the year.

	2021 £000	2020 £000
Management fee revenue expense	569	447
Other attributable administration costs	2,220	2,123
Administration costs	2,789	2,570
Management fee capital expense	1,706	1,341
Ongoing charge	4,495	3,911
Average net assets[1]	893,572	717,235
Ongoing charge ratio	0.50%	0.55%

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 9 on page 113).

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 8 on page 113.

	NAV per share with debt at fair value	Share price
NAV/Share price per share at 31 December 2020 (pence)	666.15	690
NAV/Share price per share at 31 December 2021 (pence)	787.83	779
Change in the year (%)	18.3%	15.8%
Impact of dividends reinvested (%)	6.8%	3.4%
Total return for the year (%)	25.1%	19.2%

Yield

The yield is the annual dividend expressed as a percentage of the year end share price.

	2021 £000	2020 £000
Annual dividend (pence)	29	27.5
Share price[1] (pence)	799	690
Yield (%)	3.6%	3.9%

1 Based on the closing share price as at 31 December.

Company advisers and information

Registered office

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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 2020.

Alternative Investment Fund Manager

The Law Debenture Corporation p.l.c.

Investment portfolio manager

Janus Henderson Global Investors
201 Bishopsgate, London EC2M 3AE

Auditors

Deloitte LLP, 110 Queen Street, Glasgow, G1 3BX

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

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 post.

Internet dealing: The fee for this service will be 1.4% of the value of each transaction (subject to a minimum of £40).

Website address: www.computershare.com/dealing/uk

Registry Postal Share Dealing Service: The fee for this service will be 1.4% of the value of each transaction (subject to a minimum of £40). Forms can be found at: www.computershare.com/dealing/uk or requested by calling: 0370 703 0084.

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.

Financial calendar

Dividend and interest payments

Ordinary shares:	
Three interim dividends	Announced in May, 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
2.54% series A senior secured notes	Paid May and November
2.53% series B senior secured notes	Paid May and November
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 119 and 120, 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, Grand Cayman, Cayman Islands, 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 132nd annual general meeting of the Company will be held in-person at the offices of The Law Debenture Corporation p.l.c., 8th Floor, 100 Bishopsgate, London, EC2N 4AG and electronically in accordance with the information provided on page 148 on 7 April 2022 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 2021.**
2. **To receive and approve the Directors' remuneration report for the year ended 31 December 2021.**
3. **To declare a final dividend of 8.375p per share in respect of the year ended 31 December 2021.**
4. **To re-elect Denis Jackson as a Director.**
5. **To re-elect Trish Houston as a Director.**
6. **To re-elect Robert Hingley as a Director.**
7. **To re-elect Tim Bond as a Director.**
8. **To re-elect Claire Finn as a Director.**
9. **To elect Pars Purewal as a Director.**
10. **To elect Clare Askem as a Director.**
11. **To appoint Deloitte 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.**
12. **To authorise the Audit and Risk Committee to determine the auditor's remuneration.**
13. **To adopt the 2022 Sharesave Option Plan and authorise the Directors of the Company to do all acts and things which they may consider necessary or expedient to implement and operate the 2022 Sharesave Option Plan.**
14. **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 £619,329.15 (representing 12,386,583 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:

15. **Disapplication of statutory pre-emption rights.**

    THAT if resolution 14 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 £309,664.55 (representing 6,193,291 ordinary shares),

such authority to expire at the next AGM of the Company (or, if earlier, at the close of business on 6 July 2023) 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.

16. Additional authority to disapply pre-emption rights for acquisitions or specified capital investment.

THAT, if resolution 14 is passed, the Directors be authorised in addition to any authority granted under resolution 15 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 £309,664.55 (representing 6,193,291 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 close of business on 6 July 2023) 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.

17. 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 18,567,488;

(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.

18. 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
Company Secretary | 24 February 2022
Registered No. 30397

Registered office:
8th Floor
100 Bishopsgate
London EC2N 4AG

2022 Sharesave Option Plan (the "2022 Plan")

Summary of key terms in the 2022 Plan

FEATURE	DESCRIPTION	COMMENTS
Duration of the Plan	SAYE options may be granted under the 2022 Plan for a period of 10 years.	This is standard practice and is the same in the current plan.
Type of award	SAYE options over ordinary shares in The Law Debenture Corporation plc.	SAYE awards are in the form of an option grant. The SAYE options must be over shares in a company that is not under the control of another company.
Eligibility and granting awards	Each time invitations are sent, all eligible Employees must be invited to participate. Eligible Employee broadly means an individual who satisfies the following conditions: • either is an employee (but not a director) of the group or is an executive director of a group company who is contracted to work at least 25 hours per week for the group (exclusive of meal breaks); • has earnings in respect of their office or employment; • has been such a director or employee for such period, not exceeding 5 years, as the Board determines; and • has not given or been given notice to terminate their employment with the group. In addition it means an executive director or employee of a group company nominated by the Board to be an Eligible Employee. Maximum savings amount - currently £500.	Required by legislation.
Timing of awards	Options may only be granted to participants during the period of 30 days (or 42 days if applications are scaled down) beginning on the first day by reference to which the Option Price was calculated.	Required by legislation.
Exercise price	The exercise price will be set by the Board and shall not be less than 80 per cent of the market value of the underlying shares.	Required by legislation.
Lapsing	An SAYE Option shall lapse on the earliest of: • before an option has become capable of being exercised, the option holder giving notice that they intend to stop paying monthly contributions, or being deemed under the terms of the savings contract to have given such notice or making an application for the repayment of their aggregate monthly contributions; • the date on which a resolution is passed or an order is made by the court for the compulsory winding-up of the Company; • the date on which the option holder becomes bankrupt or enters into a compromise with their creditors generally; and • any other date set out in the rules.	Standard practice.
Exercise	An SAYE option may not be exercised before the date set by the Board. An SAYE option may not be exercised more than 6 months after the exercise date and if not exercised by that date it shall lapse.	Company to decide the exercise date.

2022 Sharesave Option Plan (the "2022 Plan") continued

Summary of key terms in the 2022 Plan

FEATURE	DESCRIPTION	COMMENTS
Corporate Events in relation to the Company	**Takeover** If there is a change of control of the Company all SAYE options may be exercised, at any time during the period of 6 months beginning with the time when the person making the offer has obtained control of the company. Any unexercised SAYE options will lapse after the 6-month period. If the Board determines that it is likely that a takeover will occur, the Board may determine that SAYE options may be exercised within 20 days of the event. If the takeover does not take place, the exercise is of no effect. If a takeover occurs, as a result of which the shares no longer meet the requirements of the SAYE legislation, the SAYE option may be exercised within 20 days of the event. **Compulsory acquisition of shares** If a person becomes entitled or bound to acquire shares in the Company under the Companies Act, all SAYE options may be exercised. Any unexercised SAYE options will lapse when the person ceases to be entitled or bound to acquire shares in the Company. **Scheme of arrangement** If the court sanctions a compromise or arrangement under the Companies Act where all of the share capital or all of the fully paid ordinary shares are acquired, all SAYE options may be exercised at any time during the period of 6 months beginning with the date the court sanctions the compromise or arrangement. Any unexercised SAYE options will lapse after the 6-month period. **Winding up of the Company** If notice is given of a resolution for the voluntary winding-up of the Company, all SAYE options may be exercised within 6 months of the passing of the resolution and if not so exercised shall lapse.	UK tax legislation sets out a range of corporate events on which SAYE options may be exercised before the third anniversary of grant and benefit from tax-advantaged treatment. These include a cash takeover by way of a general offer. Note that these rules provide for lapse of SAYE options if they are not exercised within a specified period of a corporate event.
Leavers	In general an SAYE option may be exercised only while the option holder is in employment with the group and if an option holder ceases to be an employee, any option granted to them shall lapse on cessation. **Death** If an option holder dies before the SAYE options become exercisable, their personal representatives will be entitled to exercise their SAYE options at any time during the 12-month period after their death. If not exercised, the SAYE options shall lapse at the end of the period. If an option holder dies after the SAYE options have become exercisable, their personal representatives will be entitled to exercise their SAYE options at any time during the 12-month period after the time the SAYE options became exercisable. If not so exercised, the SAYE options shall lapse at the end of the period. **Injury, disability, redundancy, retirement etc.** If an option holder ceases to be an employee by reason of: • injury or disability; redundancy within the meaning of the Employment Rights Act 1996; • retirement; • a relevant transfer within the meaning of the Transfer of Undertakings (Protection of Employment) Regulations 2006; • the company in which they hold office or employment ceases to be an group company; they will be entitled to exercise their SAYE options at any time during the period of 6 months after the date they cease to be an employee.	

2022 Sharesave Option Plan (the "2022 Plan") continued

Summary of key changes

TERM	RULE REFERENCE IN THE 2012 SHARESAVE OPTION PLAN (THE "2012 PLAN")	COMMENTS
Plan rules are no longer required to include an age limit whereby an option can be exercised on reaching a specified age without retiring.	Definition of Specified Age, 10.1.1 (i), 10.4	The 2012 Plan permits exercise on reaching the Specified Age which is defined as 65 years. This provision will not be included in the 2022 Plan rules however retirement will continue to be a trigger event that allows exercise within the period of 6 months following retirement which remains a good leaver circumstance (Rule 6.2).
The material interest requirement has been removed. The material interest test was in relation to option holders who had at any time within the twelve-month period before the date of exercise, an interest in more than 25% of the issued ordinary share capital of the company (or another company in the group).	9.2	The new 2022 Plan rules will not include these provisions as they are no longer relevant.
Removal of the prohibition on certain types of restrictions on the shares.	Definition of Shares, 1.1	As the Company's shares are not subject to restrictions this provision should not have any practical impact for Law Debenture. However, the definition of 'Shares' includes reference to the relevant part of the legislation which used to contain this restriction (paragraph 21 Schedule 3 ITEPA 2003) and therefore this wording will not be included in the new 2022 Plan rules.
Certain types of cash takeovers now qualify for the tax favoured treatment to apply on exercise within 3 years	10.5	The 2012 Plan includes a provision that allows exercise of the options on a change of control of the Company as a result of making a general offer and therefore where this is a cash takeover within 3 years of grant of the options the tax favoured treatment should apply. The new 2022 Plan rules will be consistent with the 2012 Plan.
Amendment permitting exercise after a cash scheme of arrangement	10.7	The 2012 Plan includes a provision that allows exercise of the options where the court sanctions a compromise or arrangement and therefore where this is a cash arrangement within 3 years of grant of the options the tax favoured treatment should apply. The new 2022 Plan rules will be consistent with the 2012 Plan.
Rules must include a provision to permit exercise on a TUPE transfer or when an employing company ceases to be an associated company. If an option is exercised under such circumstances the tax favoured treatment should still apply.	10.1.1(iii)	The 2012 Plan permits exercise as a result of "the business or part of a business in which he works being transferred to a company which is neither an Associated Company nor a company of which the Company has Control" and therefore the new 2022 Plan rules will be consistent with the 2012 Plan.
References to option certificate removed	6.3	The 2022 Plan does not contain references to an option certificate to reflect the fact that the plan is now operated electronically.

Explanatory notes to the notice of annual general meeting

The notice of the Annual General Meeting (the 'Notice') to be held on 7 April 2022 (the 'Meeting') is set out on pages 138 and 139. 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 Annual Report and financial statements for the year ended 31 December 2021 (the '2021 Annual Report'), which was sent to shareholders on 4 March 2022.

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 2021 Annual Report.

Resolution 3
The Board proposes a final dividend of 8.375 pence per share in respect of the year ended 31 December 2021. If approved, the recommended final dividend will be paid on 14 April 2022 to all ordinary shareholders who are on the register of members on 11 March 2022. The shares will be marked ex-dividend on 10 March 2022.

Resolutions 4 – 10
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, Trish Houston, Robert Hingley, Tim Bond and Claire Finn will retire from office and offer themselves for re- election. Mark Bridgeman 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, Clare Askem and Pars Purewal, having joined the Board in June 2021 and December 2021 respectively, also retire from office and offer themselves for election.

The biographical details for each Director are set out on pages 52 and 53 of the 2021 Annual Report.

In proposing the election/re-election of the Directors, the Chairman confirms that, following the internal performance evaluation (described on pages 59 and 60 of the 2021 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 11
The Company's auditors having been newly appointed by the Board during 2021 must offer themselves for appointment at the next annual general meeting and for re-appointment at each annual general meeting at which accounts are presented going forwards. Accordingly, the Board, on the recommendation of the Audit and Risk Committee, recommends the appointment of Deloitte LLP as the Company's auditors.

Resolution 12
This resolution, if passed, will authorise the Audit and Risk Committee to agree the remuneration of Deloitte LLP for their services as auditors.

Resolution 13
The 2022 Sharesave Option Plan ('2022 Plan') will replace the Company's existing Sharesave Option Plan ('Existing Plan'), which was adopted in 2012 and will expire on 24 April 2022. The 2022 Plan is a savings-related share option scheme under which options to acquire ordinary shares in the Company may be granted to qualifying employees as a tax efficient method of both incentivising and retaining staff. It is intended to satisfy the conditions of Schedule 3 to the Income Tax (Earnings & Pensions) Act 2003 such that options granted pursuant to the 2022 Plan may benefit from certain tax reliefs on exercise of the options. The 2022 Plan is similar to the Company's Existing Plan, but has been updated to reflect changes in the relevant legislation since the Existing Plan was adopted. A summary of the key features of the 2022 Plan is set out in the Appendix to the Notice. The provisions of the 2022 Plan cannot be altered to the benefit or the advantage of participants without prior shareholder approval in a general meeting.

Resolution 14
Under the Act, Directors may not allot shares in the Company (or grant certain rights over shares) without the authority of shareholders in a 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 2021, 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 £619,329.15 (representing 12,386,583 ordinary shares), representing approximately ten per cent of the nominal value of the issued ordinary shares on 24 February 2022 (being the last practicable date prior to the publication of this document). As at 24 February 2022, 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.

Explanatory notes to the notice of annual general meeting
continued

Resolution 15
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 2021, will expire at the end of this year's annual general meeting.

Resolution 15 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 £309,664.55 (representing 6,193,291 ordinary shares), being no more than five per cent of the issued ordinary share capital in issue on the 24 February 2022, in each case without the equity securities 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 16
Resolution 16 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 £309,664.55 (representing 6,193,291 ordinary shares), as at 24 February 2022, 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 17
Resolution 17 is a special resolution that will grant the Company authority to make market purchases of up to 18,567,488 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 AGM to be held in 2022 when a resolution to renew the authority will be proposed.

Resolution 18
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.

If you are in any doubt about the contents of this document, you should immediately consult your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000, or if outside the United Kingdom, another appropriately authorised financial adviser, without delay.

If you have sold or otherwise transferred all of your shares in the Company you should immediately send this document, together with the accompanying form of proxy, to the stockbroker, bank or other agent through whom the sale or transfer was effected, for transmission to the purchaser or transferee.

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 Tuesday, 5 April 2022 (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 Tuesday, 5 April 2022 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 145 and 146).

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 & International 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 Tuesday, 5 April 2022. 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 & International 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 24 February 2022 (being the latest practicable business day prior to the publication of this Notice), the Company had an issued share capital of 123,865,835 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 123,865,835.

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, 7 March 2022 until the conclusion of the AGM at the Company's registered office:

    (a) copies of the Directors' letters of appointment and service contracts;

    (b) a copy of the Articles of Association of the Company; and

    (c) a copy of the new 2022 Sharesave Option Plan.

    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.

    A copy of the 2021 Annual Report and accounts (including the Notice of AGM) and the 2022 Sharesave Option Plan will be available for viewing at the Financial Conduct Authority's National Storage Mechanism, from the mailing date of this Notice.

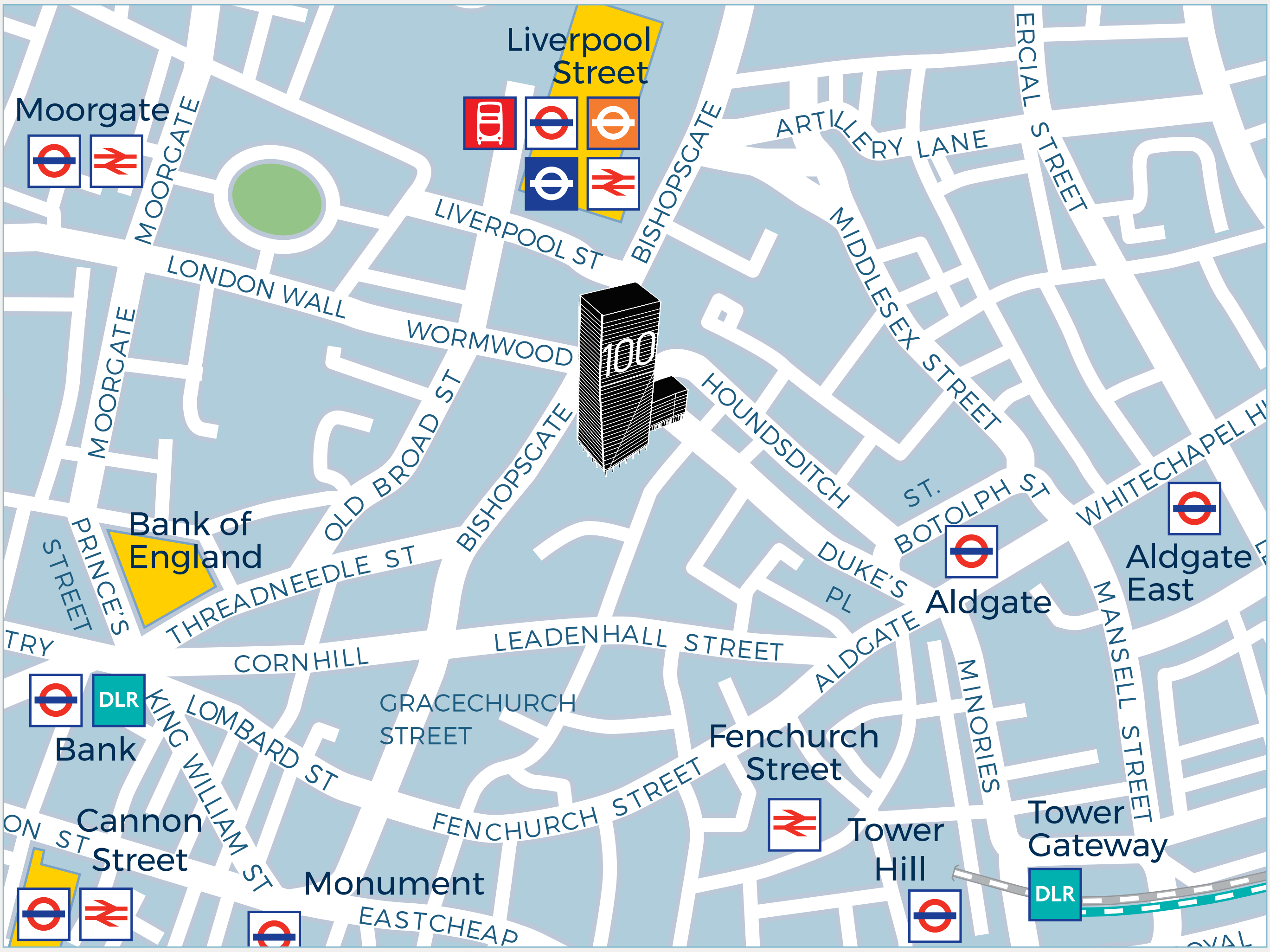
17. You may not use any electronic address provided in either this Notice or any related documents (including the form of proxy) to communicate with the Company for any purposes other than those expressly stated.

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 venue

The offices of The Law Debenture Corporation p.l.c., 8th Floor, 100 Bishopsgate, London EC2N 4AG.



RAILWAY	UNDERGROUND	BUSES	PARKING
Main line stations within one mile include: • Liverpool Street • London Bridge • Farringdon • Fenchurch Street • Cannon Street • Blackfriars • Holborn Viaduct	**Liverpool Street** (Central, Circle, Hammersmith & City and Metropolitan lines) **Monument** (Circle and District lines) **Bank** (Central, Northern, Waterloo & City lines and Docklands Light Railway) **London Bridge** (Northern and Jubilee lines)	You may select the 149, 35, 47 or 388 bus services from London Bridge or the 26 or 8 bus services from St. Paul's to Wormwood Street, which is directly across from the venue. You may also take the 205 from Old Street or the 43 or 133 bus services from Moorgate to Liverpool Street, which is a 5-minute walk from the venue.	There is limited meter parking in business hours near the venue. Parking is available at Broadgate or London Finsbury Square. There is also multi-storey parking at Aldersgate Car Park near London Wall.

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: 142-959-531 .

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**
- Once logged in you will be able to follow the proceedings on your device.
- 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 top 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 online guide

Meeting ID: 142-959-531

Meeting Access

Shareholders can participate the meeting remotely, via:

https://web.lumiagm.com/142-959-531

This can be accessed online using the latest version of Chrome, Firefox, Edge and Safari on your PC, laptop, tablet or smartphone. On accessing the meeting platform, you will be asked to enter your unique SRN and PIN

Access to the Lumi platform will be available an hour prior to the start of the meeting.

Broadcast

Once logged in, and at the commencement of the meeting, you will be able to follow the proceedings on your device.

Voting

Once the Chair has formally opened voting, the list of resolutions will automatically appear on your screen. Select the option that corresponds with how you wish to vote.

Once you have selected your vote, 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.

To vote on all resolutions displayed select the "vote all" option at the top of the Screen.

To change your vote, reselect your choice. 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.

Q&A

To ask a question select the messaging icon from within the navigation bar and type your question at the top 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 always required in order to allow you to cast your vote when the poll opens, submit questions and view the Broadcast. It is the user's responsibility to ensure you remain connected for the duration of the meeting.

As well as having the latest internet browser installed, users must ensure their device is up to date with the latest software release.

Duly appointed proxies and corporate representatives

Following receipt of a valid appointment, please contact the Company's registrar before 11.00 am on Tuesday, 5 April 2022 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).

The Law Debenture Corporation p.l.c. 8th Floor, 100 Bishopsgate, London, EC2N 4AG
Tel: 020 7606 5451 | **www.lawdebenture.com**